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Application Proof of

JUDA INTERNATIONAL HOLDINGS LIMITED
鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1329)

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JUDA INTERNATIONAL HOLDINGS LIMITED
鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1329)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) ISSUE OF CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(5) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(6) CHANGE IN PRINCIPAL BUSINESS ACTIVITIES

Sole Sponsor to the deemed new listing application of the Company
HSBC Corporate Finance (Hong Kong) Limited

HSBC

Financial Adviser to the Company
The Hongkong and Shanghai Banking Corporation Limited

HSBC

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

ALTUS CAPITAL LIMITED

A letter from the Independent Board Committee is set out on pages 52 to 53 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 54 of this circular.

A notice convening the EGM to be held at [•] on [REDACTED] is set out on pages EGM-1 to EGM-4 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 Hong Kong branch share registrar of the Company, [REDACTED] 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 and, in such event, the instrument appointing a proxy will be deemed to be revoked.

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EXPECTED TIMETABLE

[REDACTED]

SUMMARY

This summary aims at giving you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision as to how you would cast your votes at the EGM in relation to inter alia, the Acquisition and the issue of CPS and the appropriate course of action for yourself.

There are risks associated with any business. You should read the section headed "Risk Factors" in this circular carefully before making a decision on the Acquisition and the issue of CPS.

THE ACQUISITION AND THE ISSUE OF THE CPS

On 15 August 2014, Asian Expert (an indirect wholly-owned subsidiary of BCL as purchaser) and Reco Ziyang (a connected person of BCL as seller) entered into a conditional equity transfer agreement for the transfer of 60% equity interest in the Target Company. The Target Company is a PRC established company which holds a real estate development project in Xi'an city, which is named Xi'an First City. On the same day, Far Reaching (an indirect wholly-owned subsidiary of the Company as purchaser) and Asian Expert (as seller) entered into a conditional equity transfer agreement for the transfer of 100% equity interest in the Target Company subject to the completion of the BCL Acquisition. The transfer of the 60% equity interest in the Target Company to Asian Expert was effected on 10 September 2014. Upon Completion, Far Reaching will become the sole owner of the Target Group.

The consideration payable for the Acquisition is approximately HK$1,963.4 million, to be settled in cash. For funding and settlement of the consideration, Get Thrive, a wholly-owned subsidiary of BCL, and the Company entered into a conditional subscription agreement on 15 August 2014, under which Get Thrive will subscribe for and the Company will issue 738,130,482 CPS at an issue price of HK$2.66 per CPS. All proceeds arising from the issue of the CPS will be used for the purpose of settlement of the consideration for the Acquisition. BCL and Get Thrive are the controlling shareholders of the Company.

Please refer to the section headed "Letter from the Board" in this circular starting on page 30 for further details on the Acquisition, the issue of the CPS and the Specific Mandate to be sought from Independent Shareholders at the EGM to be convened.

REASONS FOR THE ACQUISITION AND ISSUE OF THE CPS

The reasons for the Acquisition and the issue of the CPS are as follows (i) the financial performance of the existing chemical business of the Group has experienced a material deterioration in the last audited financial year and the production of chemicals is not expected to be the main revenue driver of the Enlarged Group in the future; (ii) the acquisition of the Target Company and its interest in Xi'an First City will enable the Company to expand into the real estate industry in the PRC and become an overseas-incorporated listed platform of BCL for developing outlets-backed integrated property projects (which are commercial and residential integrated property projects featuring a cluster of outlet shops, usually offering branded merchandises) and commercial property projects in certain selected cities in the PRC; (iii) the expansion into the real estate industry will facilitate further equity and debt financing by the Enlarged Group and (iv) the issue of the CPS will allow the Company to finance the Acquisition without the need for additional costs of financing from financial institutions. Please refer to the section headed "Letter from the Board – Reasons for and Benefits of the Acquisition and the Issue of the CPS" starting on page 42 of this circular for further details.

CHANGE IN PRINCIPAL BUSINESS ACTIVITIES

Upon Completion, there will be a change in the principal business and operations of the Company from its existing business of production of chemicals to property development, which will be the focus and main revenue driver of the Company in the future. The existing business model of the Group in the production of phthalic anhydride (PA) and fumaric acid is not expected to be a meaningful contributor to the operations of the Enlarged Group after Completion and accordingly, the Directors may consider options, including downsizing or disposing the operations of the chemical business. The Company will focus on the development of outlets-backed integrated property projects and commercial property projects after Completion. Xi'an First City will be the first property project of the Enlarged Group and the Enlarged Group targets to expand into selected provincial capital cities, prefectual cities and state-plan designated cities for future development.

The change in business direction of the Company after Completion will impact on the operations and financial position of the Company. The Company will require a team of personnel with experience in the real estate industry and skills for the various project development processes, access to and relationships with third party contractors and prospective tenants. The Company will have to increase its capital requirements for land acquisition and property development, and rely on income from the sale and leasing of properties, bank loans and equity and debt financing to fund its capital commitments. The Company will target to inter alia, acquire further land in selected cities in the PRC for future property development projects and operate and manage outlets-backed integrated property projects and commercial property projects to maintain a stable operating cash flow.

BUSINESS OF THE TARGET GROUP

The business model of the Target Group is the development, sale, leasing and operation of properties in Xi'an First City, primarily comprising outlet shops, offices, retail space, residential buildings and car parking spaces. As at 30 June 2014, Xi'an First City occupied a total site area of 355,914 sq.m. which comprised properties completed or under construction and land planned for future development. The land planned for future development will feature avenues of outlet shops, which are expected to be leased to brand-name retailers, including internationally and domestically well-known labels, selling apparel, sportswear, bags, luggage and footwear products at discounted retail prices.

Xi'an First City was the only property development project of the Target Group during the Track Record Period. The following table sets out details of Xi'an First City in terms of its actual or planned uses of properties as at 30 June 2014:

	GFA completed *(sq.m.)*	**GFA under development** *(sq.m.)*	**GFA planned for future development** *(sq.m.)*
Residential	715,880	198,952	–
Retail/Outlet shops	32,340	6,396	69,065
Kindergarten	4,500	–	–
Office	–	68,541	164,722
Commercial apartment	82,563	–	–
Hotel	–	–	48,100
Carpark	110,567	69,174	87,396
Carpark (civil defence)*	–	40,679	12,764
Total	945,850	383,742	382,047

* *Subject to application for approval of the design planning proposals and the obtaining of the requisite approval from the civil defence authorities.*

Please refer to the section headed "Business of the Target Group" of this circular starting on page 87 for further details.

The Target Group is in competition with other real estate developers on a range of factors including product quality and diversity, pricing and ability to acquire land reserves. Over the past few years, the PRC government has introduced austerity measures to curb the overheating and speculation in the real estate market which has intensified competition in the real estate industry. For details on the competitive landscape of the Target Group and the austerity measures of the PRC government, please refer to the section headed "Business of the Target Group – Competition" starting on page 129 and the section headed "Business of the Target Group – Austerity Measures on the Real Estate Market by the PRC Government" starting on page 129 and the section headed "Industry Overview" in Appendix I to this circular starting on page I-1. The Directors believe that with the capability to offer diverse product types and ability to attract brand-name tenants for its outlet-backed integrated property projects, the Enlarged Group will be able to face up to the challenges ahead in the industry.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

The Directors believe that the Enlarged Group will have the following principal competitive strengths: (i) ability to develop, sell and lease outlets-backed integrated property projects and commercial property projects; (ii) occupies a prime and accessible location with rising demand and ability to capture growth potentials in selected cities; (iii) ability to leverage on relationship with BCL; (iv) skilled management team with experience in outlets-backed integrated projects and commercial property projects and relationship with brand-name retailers; and (v) ability to identify competitively priced development sites with growth potential.

To develop its growth potentials fully, the Enlarged Group intends to implement the following business strategies: (i) leverage on existing abilities to become a leading developer of outlets-backed integrated property projects in the PRC with a balanced property portfolio; (ii) expansion into selected provincial capital cities, prefectual cities and state-plan designated cities and create value through the development and operation and management of outlets-backed integrated projects and/or commercial property projects; (iii) capitalise on fund raising capability to support the continual expansion of the Enlarged Group; and (iv) attract and retain talented personnel through systematic training programmes and competitive remuneration packages.

Please refer to the details of the competitive strengths and business strategies of the Enlarged Group set out in the section headed "Business of the Target Group" starting on page 87 of this circular.

FUTURE PLANS

Further development comprising outlet shops and ancillary facilities has been planned for Xi'an First City. The construction of the outlet shops is currently expected to commence in 2015. In addition to Xi'an First City, the Enlarged Group will increase its property portfolio by expanding into selected Target Cities to develop other outlets-backed integrated property projects and/or commercial property projects. Hefei, Nanjing, Changsha and Xiamen are the cities which the Enlarged Group targets to first expand into, by inter alia, acquisition of land, acquisition or leasing of properties and/or operation and management of outlets-backed integrated property projects and commercial property projects. For further details on the Enlarged Group's future plans, please refer to the section headed "Business of the Target Group – Future Plans" starting on page 93 of this circular.

CONTROLLING SHAREHOLDERS AND BUSINESS DELINEATION

In November 2013, Get Thrive made a mandatory general offer for all the Shares (other than the Shares held by its concert parties) in issue at the time, which resulted in a change in control of the Company. As at the Latest Practicable Date, Get Thrive held 65.1% of the total issued Shares of the Company. Get Thrive is indirectly wholly-owned by BCL, through its wholly-owned subsidiary, Beijing Ruiyuan and the wholly-owned subsidiary of Beijing Ruiyuan, Rueyyuan Holding. As at the Latest Practicable Date, Get Thrive, Rueyyuan Holding, Beijing Ruiyuan and BCL were the controlling shareholders of the Company. Upon Completion, assuming there is no conversion of the CPS, Get Thrive will remain interested in 65.1% of the total issued Shares of the Company and as such, Get Thrive, Rueyyuan Holding, Beijing Ruiyuan and BCL will continue to be the controlling shareholders of the Company.

SUMMARY

BCL is a H share-listed company on the Main Board of the Stock Exchange (Stock Code: 2868). It primarily engages in property development, the operation of hotels and property consulting services.

Following Completion, the respective businesses of the Enlarged Group and BCL Group will be delineated based on geographical locations and business positioning. The operations of the Enlarged Group will be carried out in the 17 Target Cities, which are selected based on criteria including locations, scale and nature of the cities, growth potentials and accessibility. BCL Group will not operate any property business in these Target Cities and the Enlarged Group will not carry out any property business in cities other than the 17 Target Cities. It is intended that such geographical delineation will ring-fence the business of the Enlarged Group from any potential competition of BCL Group. To implement the geographical delineation arrangement, the Company and BCL has entered into a mutual Non-Competition Deed, the provisions of which are conditional upon Completion and approval by the independent shareholders of BCL in general meeting and subject to a half-yearly review by the parties. Please refer to the section headed "Relationship with Controlling Shareholders" starting from page 141 of this circular for further details on the Non-Competition Deed and its review mechanism. Furthermore, there will be different business positioning for the Enlarged Group and BCL Group after Completion – the Enlarged Group will focus on developing outlets-backed integrated property projects and commercial property projects and BCL will continue its existing property development businesses in commercial properties, outlets-backed integrated properties and medium to high-end residential properties, operation of hotels, property consulting services and investment holding. The outlets-backed integrated properties projects of BCL have been excluded from the Acquisition due to (i) the need for regulatory approvals of CSRC and SASAC for the transfer of these projects; and (ii) the locations of some of these outlets-backed integrated property projects are not aligned with the development strategies of the Enlarged Group. For further details on the reasons for their exclusion, please refer to the section headed "Relationship with Controlling Shareholders" of this circular starting from page 141.

The Company will enter into a continuing connected transaction with BCL relating to the sharing of office premises and administrative costs, which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Please refer to the section headed "Continuing Connected Transaction" of this circular starting on page 155.

As there will not be any share offering to the public, there is no dilution impact on the Shareholders immediately after Completion and any exercise of conversion rights attached to the CPS is subject to the Company meeting the minimum public float requirements under the Listing Rules. The shareholding percentages of existing Shareholders will be diluted if and in the event of the conversion of any CPS into Conversion Shares. An aggregate of up to 738,130,482 new Shares will be issued upon full conversion of the CPS, representing approximately 78.7% of the issued share capital of the Company as enlarged by the allotment and issue of new Shares (assuming that all the CPS are converted into Conversion Shares).

IMPLICATIONS OF THE ACQUISITION AND THE ISSUE OF THE CPS UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition, a connected transaction and a reverse takeover of the Company under Chapters 14 and 14A of the Listing Rules, subject to (i) approval by the Independent Shareholders at the EGM to be convened and (ii) approval by the Listing Committee of the Stock Exchange of a new listing application made by the Company, as the Company is also deemed to be a new listing applicant under the Listing Rules in connection with the reverse takeover. The issue of CPS constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is also subject to the approval of the Independent Shareholders at the EGM, at which a specific mandate for the purpose of the issue of the CPS and the Conversion Shares will also be sought.

SELECTED HISTORICAL FINANCIAL INFORMATION AND DATA OF THE TARGET GROUP

Selected consolidated statements of profit or loss and other comprehensive income data

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,188,285	95,420	1,211,440	1,045,287
Cost of sales	(877,849)	(57,588)	(844,832)	(760,021)
Gross profit	310,436	37,832	366,608	285,266
Profit for the year/period	207,368	11,330	234,478	181,015

Selected consolidated statements of financial position data

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	805	520	340	270
Total current assets	2,580,998	3,158,424	3,870,403	3,281,497
Total current liabilities	1,020,780	1,934,146	1,975,467	1,982,976
Total non-current liabilities	180,000	20,000	456,000	62,500
Net current assets	1,560,218	1,224,278	1,894,936	1,298,521
Net assets	1,381,023	1,204,798	1,439,276	1,236,291

Selected consolidated statements of cash flows data

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash flows from/(used in) operating activities	231,548	54,010	452,921	(87,269)
Net cash flows (used in)/from investing activities	(318,583)	117,566	(639,444)	67,173
Net cash flows from/ (used in) financing activities	117,312	(231,446)	280,421	91,752

Key financial ratios

The table below sets forth certain of the Target Group's key financial ratios for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
Gross profit margin	26.1%	39.6%	30.3%	27.3%
Current ratio [(1)]	2.5	1.6	2.0	1.7
Gearing ratio [(2)]	27.5%	14.9%	33.4%	49.3%
Return on equity [(3)]	15.0%	0.9%	16.3%	14.6%
Net debt to equity ratio [(4)]	20.2%	10.7%	0.6%	27.5%

Notes:

(1) Current assets divided by current liabilities.

(2) Total debt divided by total equity x 100%. Total debt comprises short-term borrowings and long-term borrowings.

(3) Net profit divided by total equity x 100%.

(4) Net debt divided by total equity x 100%. Net debt comprises short-term borrowings and long-term borrowings minus restricted cash, pledged deposits and cash and cash equivalents.

Please see the section headed "Financial Information of the Target Group" of this circular for an analysis of the key financial ratios.

Key Operating Indicators of the Target Group

The following table sets forth certain of the Target Group's key operating indicators relating to properties delivered during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of sales	877,849	57,588	844,832	760,021
GFA sold (sq.m.)	225,452	13,651	198,314	169,752
ASP (RMB/sq.m.)	5,271	6,990	6,109	6,158

SELECTED UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The table below sets out selected unaudited pro forma financial information of the Enlarged Group. Please refer to the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" set out in Appendix V to this Circular for further details.

	RMB'000
Net assets of the Enlarged Group	
Pro forma total assets of the Enlarged Group	[REDACTED]
Less: Intangible assets	[REDACTED]
Less: Pro forma total liabilities	[REDACTED]
Pro forma net tangible assets of the Enlarged Group	[REDACTED]
Less: Non-controlling interests	–
Pro forma net tangible assets of the Enlarged Group attributable to the equity holders of the Company	[REDACTED]

	Number of shares
Divided by:	
Shares outstanding on 30 June 2014	200,000,000
CPS to be issued to Get Thrive upon Completion	738,130,482
	938,130,482
Pro forma net tangible assets attributable to the equity holders of the Company per share *(RMB)*	[REDACTED]

PROPERTY VALUATION OF THE TARGET GROUP AS AT 30 JUNE 2014

As at 30 June 2014, the aggregate appraised market value attributable to the Target Group of properties held for sale, properties held under development and properties held for future development was approximately RMB879.3 million, RMB1,220.0 million and RMB572.4 million, respectively. The valuation method adopted by DTZ was based on the direct comparison approach by making reference to comparable sale evidences available and also taking into account the pre-sold area and consideration, as well as estimated total and expended construction costs.

The following information is extracted from DTZ's property valuation report set out in Appendix VI to this circular, summarising DTZ's valuation of the properties of the Target Group.

The valuations of the Target Group's properties contained in the property valuation report set out in Appendix VI to this circular, are prepared based on various valuation methodologies, basis and assumptions with reference to different property categorisations, natures, types, usages and development status. These assumptions, by their nature, are subjective and uncertain, and may not be realised. For properties held for sale and properties held under development, in valuing the properties and the estimated market value as if the property has been completed, respectively, DTZ has assumed prices for different portions of the properties by making reference to comparable sales evidences as available on the market, and adjusted to take into account time, location, size, floor difference and quality. For the property held for future development, DTZ has assumed a price for the land price, by making reference to comparable sales evidences as available on the market, and adjusted to take into account time, location, size and use. For further details on the valuation approach and key assumptions, please refer to page 99 in the section headed "Business of the Target Group – Property Project of the Target Group" and pages VI-2 to VI-3 of the section headed "Property Valuation of the Target Group" set out in Appendix VI to this circular.

Please refer to the section headed "Risk factors – Risks relating to the business of the Enlarged Group – The appraised value of the properties in the valuation report may be different from the actual realisable value and is subject to change" for further information on the risks associated with the valuation of the properties of the Target Group.

Xian First City	Market value in existing state attributable to the Group as at 30 June 2014	Valuation approach	Page no. of Valuation Report as set out in Appendix VI
Properties held for sale			
Phase 2	RMB1,050,000	Direct comparison approach	VI-7 to VI-13
Phase 3	RMB12,260,000	Direct comparison approach	VI-7 to VI-13
Phase 4	RMB169,000,000	Direct comparison approach	VI-7 to VI-13
Phase 6	RMB697,000,000	Direct comparison approach	VI-14 to VI-17
Properties held under development			
Phase 5	RMB777,000,000	Direct comparison approach	VI-18 to VI-25
Phase 7	RMB443,000,000	Direct comparison approach	VI-18 to VI-25
Property held for future development			
Phase 5A	RMB572,410,000	Direct comparison approach	VI-26 to VI-28
Total	RMB2,671,720,000		

RECENT DEVELOPMENTS

[The Directors confirm that there has been no material adverse change in the Target Group's business operations, financial position or prospects since 30 June 2014 (being the date to which the last audited financial statements of the Target Group were prepared) and up to the date of this circular, and there is no event since 30 June 2014 which would materially affect the information shown in the consolidated financial statements set out in Appendix III to this circular. So far as the Directors are aware, there has been no material change in the general condition of the real estate industry in which the Target Group operates which has materially and adversely affected the Target Group's results of operations or financial condition since 30 June 2014 and up to the date of this circular.]

RISK FACTORS

The Directors believe that there are certain risks relating to the Acquisition, the business of the Enlarged Group and property development in the PRC. Some of the material risks relating to the business of the Enlarged Group and property development in the PRC include (i) the Enlarged Group may not be able to effectively implement its business strategies in respect of its outlets-backed integrated property projects and commercial property projects; (ii) the Enlarged Group is dependent on the sale of properties, which in turn depends on factors including schedules of development and sales; (iii) increases in construction costs may adversely impact on the Enlarged Group's results of operations; (iv) the Enlarged Group may not always be able to obtain suitable sites for development and acquire sufficient land reserves at reasonable cost; (v) the Enlarged Group is principally dependent on the performance of the real estate markets in the PRC which

have experienced volatility in recent years; (vi) the Enlarged Group faces intense competition from other real estate developers and outlets and commercial property operators and (vii) the Enlarged Group's business is subject to extensive PRC Government regulations and measures intended to curb property speculation. The above-mentioned risks are not the only risks which may affect the business, results of operations and financial conditions of the Enlarged Group and for details of all of the risks faced by the Enlarged Group, please refer to the section headed "Risk Factors" of this circular starting on page 58.

SUPPLIERS AND CUSTOMERS

The Target Group outsources all construction works to external qualified construction contractors, which are all Independent Third Parties, selected through public tender or tender by invitation. The Target Group has entered into standardised construction contracts with its construction contractors and the construction fees are normally settled in stages. The construction contractors are responsible for procuring the main construction materials of steel and concrete and provide warranties for the construction work delivered. The Target Group also procures other construction materials directly from relevant suppliers, which are all Independent Third Parties.

The Target Group sells its properties by engaging external property sales agents, which are selected based on criteria including client base and reputation. The Target Group has entered into sales agent agreements under which the sales agents are paid commissions based on their annual sales. During the Track Record Period, the Target Group's customers include individual purchasers or investors, individual entrepreneurs and business enterprises who or which are interested in purchasing properties for self-use or investments. The sale and purchase contracts entered into between the Target Group and the customers provide for the customers to elect either lump sum payment or mortgage payment. For the planned development in Phase 5A of the project, the Target Group intends to lease the outlet shops to brand-name retailers, including international and domestic labels as tenants.

SOLE SPONSOR, FINANCIAL ADVISER AND INDEPENDENT FINANCIAL ADVISER

HSBC Corporate Finance (Hong Kong) Limited has been appointed as the Sole Sponsor to the new listing application of the Company. The Hongkong and Shanghai Banking Corporation Limited has been appointed as the Financial Adviser in connection with the Acquisition.

Altus Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the issue of the CPS.

TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$38 million payable by the Company, all of which is expected to be charged to the profit and loss account of the Company upon Completion. Such expenses are the latest practicable estimate and the actual amount may differ from this estimate. The Directors do not expect these expenses to have a material impact on the Enlarged Group's results of operations in 2014.

DIVIDEND POLICY

The Target Company had accrued liability for declared but unpaid dividends of approximately RMB31.0 million, RMB218.6 million, RMB218.6 million and RMB590.2 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, and had paid dividends of approximately RMB12.4 million during the six months ended 30 June 2014 in respect of dividends declared prior to the Track Record Period. The Target Company currently expects to distribute the entire amount of dividends payable prior to or upon the Completion, subject to applicable tax filings with and approvals from the relevant tax authorities in the PRC.

The Directors of the Company may, subject to the provisions in the Articles and applicable laws and regulations, recommend a payment of a dividend in the future after taking into account factors including the financial conditions, capital requirements and earnings of the Enlarged Group. Dividends declared or paid before may not be indicative of future dividend payments. There is also no guarantee that dividends will be paid in the future.

OTHER INFORMATION

At completion of the BCL Acquisition, there will be a change in ownership and control of the Target Company in respect of 60% equity interest as a result of the transfer by Reco Ziyang to Asian Expert. The Company has applied for and the Listing Committee has granted a waiver from strict compliance with Rule 8.05(1)(c) of the Listing Rules.

RECOMMENDATIONS AND THE PROPOSED EGM

The Independent Board Committee (comprising all the independent non-executive Directors, namely, Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng) has been constituted to consider the Acquisition and the issue of the CPS, and to make a recommendation to the Independent Shareholders.

The Independent Board Committee, having considered the terms and conditions of the Acquisition Agreement and the Subscription Agreement and after taking into account the advice from the Independent Financial Adviser, considers that the Acquisition and the issue of the CPS are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the issue of the CPS and the Specific Mandate. The Directors recommend that the Shareholders vote in favour of the resolutions to be proposed to approve the Acquisition, the issue of the CPS and the Specific Mandate as well as other resolutions to be proposed at the EGM.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 52 to 53 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition and the issue of the CPS and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on page 54 of this circular.

The EGM is proposed to be held on [REDACTED], at which the relevant resolutions in connection with the Acquisition and the issue of the CPS will be proposed for approval by the Shareholders. A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular and a form of proxy for use at the EGM is enclosed for further action of the Shareholders. Please refer to further details on the EGM set out in the section headed "Letter from the Board – EGM" on page 49 of this circular.

DEFINITIONS

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

"Acquisition"	the purchase of the Transfer Interest as contemplated under the Acquisition Agreement
"Acquisition Agreement"	the equity transfer agreement dated 15 August 2014 entered into between Far Reaching and Asian Expert in relation to the transfer of the Transfer Interest
"Announcement"	the announcement of the Company dated 15 August 2014 in relation to, among other things, the Acquisition and the issue of the CPS
"Articles"	the articles of association of the Company adopted on 9 August 2010, as may be amended from time to time
"Asian Expert"	Asian Expert Limited (僑恩有限公司), a company incorporated in Hong Kong with limited liability on 4 May 2011, an indirect wholly-owned subsidiary of BCL and a connected person of the Company under Rule 14A.07 of the Listing Rules
"associate(s)"	has the meaning as defined in the Listing Rules
"BCG"	BCG Chinastar International Investment Limited (首創華星國際投資有限公司), a company incorporated in Hong Kong with limited liability on 8 July 1993, a wholly-owned subsidiary of Capital Group holding 9.9% Shares as at the Latest Practicable Date and a connected person of BCL under Rule 14A.07 of the Listing Rules
"BCL"	Beijing Capital Land Ltd. (首創置業股份有限公司), a joint stock company incorporated in the PRC with limited liability on 5 December 2002, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868), a connected person of the Company under Rule 14A.07 of the Listing Rules
"BCL Acquisition"	the transfer of 60% equity interest of the Target Company by Reco Ziyang to Asian Expert pursuant to the terms and subject to the conditions under the Reco Ziyang Transfer Agreement
"BCL Group"	BCL and its subsidiaries, other than the Enlarged Group

DEFINITIONS

"Beijing Ruiyuan"	Beijing Ruiyuan Fengxiang Real Estate Ltd.* (北京瑞元豐祥置業有限公司), a company established in the PRC with limited liability on 24 June 2009, a wholly-owned subsidiary of BCL and a connected person of the Company under Rule 14A.07 of the Listing Rules
"Board"	the board of Directors
"Business Day"	a business day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capital Group"	Beijing Capital Group Co., Ltd.* (北京首都創業集團有限公司), a state-owned enterprise incorporated in the PRC on 26 October 1994 and under the direct supervision of the Beijing Municipal Government and a connected person of BCL under Rule 14A.07 of the Listing Rules
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Civil Air Defence Law"	Civil Air Defence Law of the People's Republic of China (《中華人民共和國人民防空法》)
"close associate(s)"	has the meaning as defined in the Listing Rules
"Company"	Juda International Holdings Limited (鉅大國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 9 August 2010, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1329)

DEFINITIONS

"Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement and of the Subscription and issue of the CPS in accordance with the terms and conditions of the Subscription Agreement
"Completion Date"	the date on which Completion occurs
"connected person"	has the meaning as defined in the Listing Rules
"Consideration"	a total of approximately HK$1,963.4 million for the Acquisition
"controlling shareholder(s)"	has the meaning as defined under the Listing Rules and in the context of the Company, means Get Thrive, Rueyyuan Holding, Beijing Ruiyuan and BCL
"Conversion Shares"	the 738,130,482 new Shares to be allotted and issued to Get Thrive by the Company upon the exercise by Get Thrive of the conversion rights attaching to the CPS, credited as fully paid
"CPS"	the 738,130,482 new limited-voting 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 and to be allotted and issued by the Company credited as fully paid, and CPS shall refer to any one of them
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of the Company
"Disposal"	the sale of 100% equity interest of the Target Company by Asian Expert to Far Reaching pursuant to the Acquisition Agreement
"DTZ"	DTZ Debenham Tie Leung Limited, an independent property valuer appointed by the Company

"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, (i) the Acquisition; (ii) the Subscription and the issue of the CPS; (iii) the proposed grant of the Specific Mandate; and (iv) the proposed increase in the authorized share capital of the Company and creation of the CPS
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) promulgated on 16 March 2007 and its implementation rules promulgated on 6 December 2007, both effective from 1 January 2008
"Enlarged Group"	the Group and the Target Group
"Far Reaching"	Far Reaching Company Limited (深廣發展有限公司), a company incorporated in Hong Kong with limited liability on 9 August 2010, a wholly-owned subsidiary of Shengfa, which is in turn wholly-owned by the Company
"Financial Adviser"	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and a licenced bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), being the financial adviser of the Company in relation to the Acquisition
"FIREE"	foreign-invested real estate enterprise
"GDP"	gross domestic product
"Get Thrive"	Get Thrive Limited (得興有限公司), a company incorporated in the BVI with limited liability on 8 July 2011, an indirect wholly-owned subsidiary of BCL and a connected person of the Company under Rule 14A.07 of the Listing Rules
"Group"	the Company and its subsidiaries immediately prior to Completion

DEFINITIONS

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng formed for the purpose of advising the Independent Shareholders in respect of the Acquisition and the issue of the CPS
"Independent Financial Adviser"	Altus Capital Limited, a corporation licenced to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of the CPS
"Independent Shareholder(s)"	the Shareholder(s), other than (i) Get Thrive, BCL and BCG and their respective associates; (ii) those who are connected, interested or involved in the Acquisition and the issue of the CPS; and (iii) those who are required to abstain from voting at the EGM to be convened to approve the Acquisition and the issue of the CPS and matters relating to it
"Independent Third Party"	a party who is not a connected person (within the meaning of the Listing Rules) of the Company, its subsidiaries or any member of the Target Group
"Issue Price"	HK$2.66 per CPS
"Last Trading Day"	14 August 2014, being the last full trading day for the Shares before the date of the Announcement

"LAT"	Land Appreciation Tax as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民和國土地增值税暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税行條例實施細則》)
"Latest Practicable Date"	[15 September 2014], 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
"Memorandum"	the memorandum of association of the Company
"MLR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate to the context
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Non-Competition Deed"	the deed of non-competition dated [•] and executed by each of BCL and the Company mutually in favour of each other incidental to the Acquisition
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of China
"percentage ratios"	any of the five ratios set out in Rule 14.07 of the Listing Rules

"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Reco Ziyang "	Reco Ziyang Pte Ltd., a company incorporated in Singapore on 6 August 1997, which is owned by Recosia China Pte Limited, and an independent third party of the Company and a connected person of BCL at its subsidiary level
"Reco Ziyang Interest"	the 60% equity interest in the Target Company, which is owned by Reco Ziyang immediately prior to the completion of the BCL Acquisition
"Reco Ziyang Transfer Agreement"	the equity transfer agreement dated 15 August 2014 entered into between Asian Expert and Reco Ziyang in relation to the transfer of the Reco Ziyang Interest
"RMB"	Renminbi, the lawful currency of the PRC
"Rueyyuan Holding"	Rueyyuan Holding Company Limited (瑞元控股有限公司), a company incorporated in Hong Kong with limited liability on 28 December 2010, a wholly-owned subsidiary of Beijing Ruiyuan and a connected person of the Company under Rule 14A.07 of the Listing Rules
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shareholders"	the holders of the Shares
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shengfa"	Shengfa Limited (發盛有限公司), a company incorporated in the British Virgin Islands with limited liability on 5 July 2010, a wholly-owned subsidiary of the Company
"Sole Sponsor"	HSBC Corporate Finance (Hong Kong) Limited, a corporation licenced to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the new listing application of the Company
"Specific Mandate"	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM to allot and issue the CPS and the Conversion Shares (as the case may be)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by Get Thrive of CPS in accordance with the terms and conditions set out in the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 15 August 2014 entered into between Get Thrive and the Company in relation to the Subscription
"Takeovers Code"	The Code on Takeovers and Mergers and Share Buy-backs
"Target Cities"	has the meaning as defined in the section headed "Relationship with Controlling Shareholders"
"Target Company"	Xi'an Capital Xin Kai Real Estate Ltd. (西安首創新開置業有限公司), an equity joint venture company established in the PRC with limited liability on 24 December 2007, wholly-owned by Asian Expert upon completion of BCL Acquisition and a connected person of the Company under Rule 14A.07 of the Listing Rules immediately prior to Completion

"Target Group"	the Target Company and Xi'an Hengfu and each of them, a "Target Group Company"
"Track Record Period"	the period comprising the three years ended 31 December 2013 and six months ended 30 June 2014
"Transfer Interest"	the 100% of the equity interest of the Target Company, which will be held by Asian Expert upon the completion of the BCL Acquisition but prior to Completion
"US$"	United States Dollars, being the lawful currency of the United States of America
"Xi'an Project"	the real estate development project named Xi'an First City (西安首創國際城) located in Xi'an city, the PRC
"Xi'an Hengfu"	Xi'an Hengfu Commercial and Enterprise Management Company Limited* (西安恒賦商業企業管理有限公司), a company established in the PRC with limited liability on 2 August 2012 and wholly-owned by the Target Company, a connected person of the Company under Rule 14A.07 of the Listing Rules immediately prior to Completion
"%"	per cent

For the purpose of this circular, unless the context otherwise requires or expressly specified, amounts denominated in Hong Kong dollars have been translated for illustration purposes only, into RMB based on the approximate exchange rate of HK$1 to RMB0.78078. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The percentage shareholding of the Shareholders in the Company upon Completion represent the number of Shares held by them as a percentage of the total number of issued Shares immediately upon Completion (without taking into account any CPS or Conversion Shares), unless otherwise stated.

DEFINITIONS

The English names of the Chinese companies, entities, departments, facilities, certificates, titles and the like marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

GLOSSARY OF TECHNICAL TERMS

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

"ASP"	average selling price(s)
"building ownership certificate"	building ownership certificate (房屋所有權證), real estate title proof (房地產權屬証明文件) or other names as the case may be, a certificate, record or filing issued by the relevant PRC governmental authority responsible for real estate and land resources with respect to building ownership
"commercial"	a general term used to describe non-residential developments such as, but not limited to, offices, shopping malls, retail developments, hotels and serviced apartments. The terms commercial properties" and "commercial projects" shall be construed accordingly
"completion filing"	construction works completion inspection acceptance certificate or record issued by or filing with local urban construction authorities or equivalent authorities in China with respect to the completion of property projects (竣工驗收備案)
"construction land planning permit"	construction land planning permit (建設用地規劃許可證) issued by local urban planning administration authorities or equivalent authorities in China
"construction works commencement permit"	construction work commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
"construction works planning permit"	construction work planning permit (建設工程規劃許可證) issued by local urban planning administration authorities or equivalent authorities in China
"development cost"	land cost, construction cost and capitalised interest in relation to the development and construction of a property project
"GFA"	gross floor area

GLOSSARY OF TECHNICAL TERMS

"land use rights certificate"	state-owned land use rights certificate (國有土地使用權證), a certificate issued by the relevant PRC governmental authority responsible for real estate and land resources with respect to land use rights of a land parcel
"outlets-backed integrated property projects"	commercial and residential integrated property projects, featuring a cluster of outlet shops
"pre-sale permit"	the Pre-sale Permit (預售許可證) a permit issued by a local housing and building authority or bureau or an equivalent authority in China authorising a developer to commence the sale of property under construction
"public tender", "auction", or "listing-for-sale"	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government
"sq.m"	square metre(s)
"total GFA" or "total gross floor area"	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area as shown on the relevant building ownership certificates. In general, this includes mechanical and electrical services rooms, refuse rooms, water tanks, car parking floors, lifts and staircases

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters in the PRC	101 Xiaguang Road Xinyang Street Haicang District Xiamen, Fujian PRC
Principal place of business in Hong Kong	Suites 2906-08 AIA Central 1 Connaught Road Central Hong Kong
Company Secretary	Ms. WONG Chi Mei (黃智美) *ACIS, ACS* Suites 2906-08 AIA Central 1 Connaught Road Central Hong Kong
Audit Committee	Dr. NGAI Wai Fung (魏偉峰) *(Committee Chairman)* Ms. ZHAO Yuhong (趙宇紅) Mr. HE Xiaofeng (何小鋒)
Nomination Committee	Mr. TANG Jun (唐軍) *(Committee Chairman)* Dr. NGAI Wai Fung (魏偉峰) Ms. ZHAO Yuhong (趙宇紅)
Remuneration Committee	Ms. ZHAO Yuhong (趙宇紅) *(Committee Chairperson)* Mr. LIU Xiaoguang (劉曉光) Dr. NGAI Wai Fung (魏偉峰)
Strategic Committee	Mr. WANG Hao (王灝) *(Committee Chairman)* Mr. ZHONG Beichen (鍾北辰) Mr. HE Xiaofeng (何小鋒)

CORPORATE INFORMATION

Authorised Representatives	Mr. ZHONG Beichen (鍾北辰) Unit 2002, Building 23, Section 1, Anhuili, Chaoyang District, Beijing, PRC Ms. WONG Chi Mei (黃智美) *ACIS, ACS* Suites 2906-08 AIA Central 1 Connaught Road Central Hong Kong
Compliance adviser	**CMB International Capital Limited** Units 1803-4, 18/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Principal bankers	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong **Bank of Communications Co., Ltd. Xianmen Branch** Bank of Communications Building No. 9 Hubin Zhong Road Xiamen, Fujian PRC
Principal share registrar and transfer office	**[REDACTED]**

CORPORATE INFORMATION

Hong Kong Branch share registrar and transfer office	**[REDACTED]**
Company website	**www.judaintl.com** (the contents of the website do not form part of this circular)

DIRECTORS

The following sets out the current Directors and their positions in the Company. Please refer to the section headed "Directors and Senior Management of the Enlarged Group" for further details.

Name	Residential Address	Nationality
Executive Directors		
Mr. TANG Jun (唐軍) *(Chairman)*	Flat 401, Entrance 6, Block 6, Lu Yuan, Xicheng District, Beijing, PRC	Chinese
Mr. ZHONG Beichen (鍾北辰)	Unit 2002, Building 23, Section 1, Anhuili, Chaoyang District, Beijing, PRC	Chinese
Non-executive Directors		
Mr. LIU Xiaoguang (劉曉光)	Room 802, Building 11, Yu Shu Guan Xi Li, Xicheng District, Beijing, PRC	Chinese
Mr. WANG Hao (王灝)	No. 1104, Bing 2, Annei Dongshuncheng Street, Dongcheng District, Beijing, PRC	Chinese
Independent non-executive Directors		
Dr. NGAI Wai Fung (魏偉峰)	26A Wah Shan Mansion, 17 Taikoo Shing Road, Quarry Bay, Hong Kong	Chinese
Ms. ZHAO Yuhong (趙宇紅)	Flat B, 3/F., Block 1, Villa Carlton, 369 Tai Po Road, Kowloon, Hong Kong	Chinese
Mr. HE Xiaofeng (何小鋒)	Room 1407, Building #1, Mantingfangyuan, Qingyunli, Haidian District, Beijing, PRC	Chinese

PARTIES INVOLVED

Sole Sponsor to the listing application	**HSBC Corporate Finance (Hong Kong) Limited** 1 Queen's Road Central Hong Kong *(a corporation licenced to conduct Type 6 (advising on corporate finance) regulated activities under the SFO)*
Financial Adviser to the Company in respect of the Acquisition	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong *(a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 9 asset management) regulated activities, and a licenced bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong))*
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong *(a corporation licenced to conduct Type 4 (advising on securities), Type 6 (advising an corporate finance) and Type 9 (asset management) regulated activities under the SFO)*

PARTIES INVOLVED

Legal advisers to the Company

as to Hong Kong law:
Norton Rose Fulbright Hong Kong
38/F Jardine House
1 Connaught Place
Central
Hong Kong

as to PRC law:
JunZeJun Law Offices
6/F South Tower
Financial Street Center
9 Financial Street
Xicheng District
Beijing
PRC

as to Cayman Islands law:
Conyers Dills & Pearman (Cayman) Limited
Cricket Square
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Legal advisers to the Sole Sponsor

as to Hong Kong law:
Mayer Brown JSM
16th – 19th Floors, Prince's Building
10 Chater Road
Central
Hong Kong

as to PRC law:
Jun He Law Offices
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

PARTIES INVOLVED

Auditors and reporting accountants	*as to the Target Group and Enlarged Group:* **Ernst & Young** *Certified Public Accountants* 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong *as to the Group:* **HLB Hodgson Impey Cheng Limited** *Certified Public Accountants* 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Property valuer	**DTZ Debenham Tie Leung Limited** *Independent property valuer* 16th Floor Jardine House 1 Connaught Place Central Hong Kong
Compliance adviser	**CMB International Capital Limited** Units 1803-4, 18/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong *(a licenced corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*

JUDA INTERNATIONAL HOLDINGS LIMITED
鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1329)

Executive Directors:
Mr. TANG Jun *(Chairman)*
Mr. ZHONG Beichen

Non-executive Directors:
Mr. LIU Xiaoguang
Mr. WANG Hao

Independent non-executive Directors:
Dr. NGAI Wai Fung
Ms. ZHAO Yuhong
Mr. HE Xiaofeng

Registered office:
Cricket Square
P.O.Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business:
Suites 2906-08
AIA Central
1 Connaught Road Central
Hong Kong

[•] 2014

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) ISSUE OF CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(5) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(6) CHANGE IN PRINCIPAL BUSINESS ACTIVITIES

INTRODUCTION

It was announced on 15 August 2014 that Asian Expert (as the purchaser), an indirect wholly-owned subsidiary of BCL, and Reco Ziyang (as the seller), a connected person of BCL, entered into the Reco Ziyang Transfer Agreement, pursuant to which Asian Expert has conditionally agreed to acquire and Reco Ziyang has conditionally agreed to sell, the Reco Ziyang Interest, representing 60% of the equity interest in the Target Company, on the terms and

subject to the conditions set out in the Reco Ziyang Transfer Agreement. Upon completion of the BCL Acquisition, Asian Expert will become the sole owner of the Target Company. The Target Company holds the entire interest in the Xi'an Project.

On the same day, Far Reaching (as the purchaser), an indirect wholly-owned subsidiary of the Company, and Asian Expert (as the seller), an indirect wholly-owned subsidiary of BCL, entered into the Acquisition Agreement, pursuant to which Far Reaching has conditionally agreed to acquire and Asian Expert has conditionally agreed to sell, the Transfer Interest, representing 100% of the equity interest of the Target Company, subject to the completion of the BCL Acquisition. Upon Completion, Far Reaching will become the sole owner of the Target Group which holds the entire interest in Xi'an Project. Please refer to the paragraph headed "Information on the Target Group" in this section and the section headed "Business of the Target Group" in this circular for further details of the Target Group and its property portfolio.

For the purpose of funding and settlement of the consideration for the Acquisition, on 15 August 2014, Get Thrive (as subscriber), an indirect wholly-owned subsidiary of BCL, and the Company (as issuer) entered into the Subscription Agreement, pursuant to which Get Thrive has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the CPS on the terms and conditions set out in the Subscription Agreement at the Issue Price.

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios are over 100% for the Company in relation to the Acquisition. Since Asian Expert is a subsidiary of BCL (a controlling shareholder and a connected person of the Company), it is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

In addition, the Acquisition constitutes a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules, on the basis that the Acquisition constitutes a very substantial acquisition of the Company and at the same time involves an acquisition of assets from Asian Expert (which is an associate of Get Thrive) within 24 months of Get Thrive gaining control (as defined in the Takeovers Code) of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company is being treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval of the Listing Committee of a new listing application made by the Company. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules.

HSBC Corporate Finance (Hong Kong) Limited, as the Sole Sponsor, submitted to the Stock Exchange a listing application on behalf of the Company on 17 September 2014. [The Listing Committee has given its approval in principle of the new listing application of the Company.]

As Get Thrive, the subscriber of the CPS is a controlling shareholder and connected person of the Company, the issue of the CPS constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and as the relevant percentage ratios exceed 5%, it is subject to the approval of the Independent Shareholders at the EGM. A Specific Mandate for purpose of the allotment and issue of the CPS is also proposed to be sought from the Independent Shareholders at the EGM.

CHANGE IN PRINCIPAL BUSINESS ACTIVITIES

The Company principally engages in the production of chemicals which are mainly used in the industrial production of plasticisers and polyester resins. The Target Group on the other hand, engages in the development of the Xi'an Project, which is the development, sale and leasing of properties including outlet shops, offices, retail space, residential buildings, and car parking spaces. The Acquisition will therefore result in a change in principal business of the Company from the production of chemicals to property development and upon Completion, the Company will focus on the development of outlets-backed integrated property projects and commercial property projects in selected Target Cities in the PRC.

The Acquisition is the first step taken by the Company in its expansion into the real estate industry in the PRC and it targets to further expand into selected provincial capital cities, prefectual cities and state-plan designated cities for development of future property projects. For reasons set out under the paragraph headed "Reasons for and Benefits of the Acquisition and the issue of the CPS" in this section, the Directors consider that the change in principal business of the Company as a result of the Acquisition will facilitate the growth of the Company. After Completion, the Directors will review the businesses and strategies of the Enlarged Group and may consider options for restructuring its businesses, including downsizing or disposing of its chemical business. The chemical business of the Group is not expected to be a meaningful contributor to the operations of the Enlarged Group after Completion.

The change in business direction of the Company after Completion will impact on the operations and financial position of the Company. To operate and manage a property development business, the Company will require a team of experienced personnel in the real estate industry and access to third party contractors, such as construction contractors, design firms and sales agents. The Company will have a dedicated management team, which has the requisite experience and skills from identifying developable sites to quality control management and established relationships with third party contractors and potential brand-name tenants. Property development is a capital intensive industry and the Company will have to increase its capital requirements for land acquisition and property development going forward. The Company will have to rely on proceeds and rental income from the sale and leasing of properties, bank loans and equity and debt financing to fund its capital commitments. To maintain a stable operating cash flow, the Company will target to *inter alia*, acquire land in selected Target Cities for future property development projects and operate and manage outlets-backed integrated property projects and commercial property projects.

The purpose of this circular is to provide the Shareholders with details of:

(a) the Acquisition;

(b) the issue of the CPS;

(c) the proposed increase in the authorised share capital of the Company and the creation of CPS;

(d) the proposed grant of the Specific Mandate for the issuance of the CPS and the Conversion Shares;

(e) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the issue of the CPS;

(f) the financial information of the Group, the Target Group and the Enlarged Group;

(g) the valuation of properties of the Target Group; and

(h) additional information on the Target Group and the Enlarged Group as required under the Listing Rules in connection with the new listing application.

The notice of the EGM to the Shareholders is also enclosed in this circular.

THE ACQUISITION

The Acquisition Agreement

Date

15 August 2014

Parties

(1) Far Reaching (as the purchaser); and

(2) Asian Expert (as the seller).

Subject matter

Subject to the completion of the BCL Acquisition, Far Reaching has conditionally agreed to acquire and Asian Expert has conditionally agreed to sell, the Transfer Interest, which represents 100% of the equity interest of the Target Company.

Consideration

The consideration for the Acquisition is approximately HK$1,963.4 million, which shall be payable at Completion. The consideration for the Acquisition in Renminbi is based on and pro-rata to the consideration of the BCL Acquisition.

Conditions precedent under the Acquisition Agreement

Completion of the Acquisition is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

(a) completion of the BCL Acquisition having taken place, with Asian Expert having become the sole owner of the Target Company;

(b) approval having been obtained at an extraordinary general meeting of the Company from the Independent Shareholders for *inter alia* (i) the Acquisition; (ii) the issue of the CPS; and (iii) the proposed grant of the Specific Mandate; and from the Shareholders for the proposed increase in the authorised share capital of the Company and the creation of CPS;

(c) all necessary licences, consents, approvals, authorisations, permissions, waivers, notices, orders, exemptions from governmental or regulatory authorities or bodies (including the Stock Exchange and other relevant authorities in the PRC, Hong Kong and the Cayman Islands), and/or other relevant third parties, which are required for the entering into of the Acquisition Agreement by the parties, or Completion having been obtained or made and not having been revoked prior to Completion;

(d) no relevant governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Acquisition Agreement;

(e) approval in principle having been obtained from the Listing Committee for the new listing application by the Company in relation to the Acquisition and not having been revoked or withdrawn;

(f) the warranties given by Asian Expert in the Acquisition Agreement remaining true and accurate in all material respects and not misleading in any material respect;

(g) Asian Expert having performed and complied with all agreements, obligations and conditions contained in the Acquisition Agreement that are required to be performed by or complied with it on or before Completion;

(h) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of any of the Target Group Company having occurred after the Track Record Period;

(i) DTZ having completed the valuation of the properties of the Target Group in accordance with the requirements of the Listing Rules in relation to the Acquisition and issued its report in form and substance satisfactory to the Company;

(j) Ernst & Young, the auditors and reporting accountants of the Target Group, having completed the audit of and issued an unqualified opinion on the accountants' report of the Target Group in accordance with the requirements of the Listing Rules in relation to the Acquisition;

(k) the Company having received an opinion issued by JunZeJun Law Offices, the PRC legal adviser of the Company, in respect of the Target Group and the Acquisition in form and substance satisfactory to the Company;

(l) the simultaneous completion of the issue of the CPS pursuant to the Subscription Agreement on the Completion Date; and

(m) approval having been obtained at an extraordinary general meeting of BCL from its independent shareholders for *inter alia*, (i) the Disposal; (ii) the Subscription; and (iii) the Non-Competition Deed in favour of the Company and its subsidiaries.

The above conditions are expected to be fulfilled (or waived, save and except for conditions (a) to (e), (i), (j), (l) and (m), which cannot be waived) on or before [REDACTED] (or such later date as the parties to the Acquisition Agreement may agree in writing). If any of the conditions has not been fulfilled or waived by Far Reaching, save and except for conditions (a) to (e), (i), (j), (l) and (m), which cannot be waived on or before [REDACTED] (or such later date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall terminate and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof. [As at the Latest Practicable Date, conditions (a), (i) to (k) have been fulfilled and as the Company was not aware of any circumstances which may result in any of the other conditions not being fulfilled on or before Completion and accordingly, none of such other conditions are waived or intended to be waived.]

Basis of the Consideration

The Consideration was determined after arm's length negotiation among the parties to the Acquisition Agreement and is based on and pro-rata to the consideration of the BCL Acquisition. The consideration represents a discount of 24.7% to the reassessed net asset value of the Target Group as at 30 June 2014. The reassessed net asset value of the Target Group equals to the sum of (i) the equity attributable to shareholders as at 30 June 2014 based on the unaudited financial statements of the Target Group in an amount of approximately RMB1,236.3 million; (ii) the appreciation of properties attributable to shareholders based on a preliminary appraisal by DTZ as at 30 June 2014 and post adjustment of the estimated amount of the relevant taxes payable by the Target Group in an amount of approximately RMB839.1 million.

The Directors (save and except for the independent non-executive Directors), are of the view that the terms of the Acquisition Agreement, which has been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee considers that Acquisition is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Board Committee is set out on pages 52 to 53 of the circular.

ISSUE OF THE CPS

The Subscription Agreement

Date

15 August 2014

Parties

(1) Get Thrive (as the subscriber); and

(2) the Company (as the issuer).

Subject Matter

Get Thrive has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 738,130,482 CPS at the Issue Price.

Consideration for the Subscription

The consideration for the Subscription payable by Get Thrive is approximately HK$1,963.4 million based on 738,130,482 CPS to be subscribed at the Issue Price, which is equivalent to the Consideration payable by the Company for the Acquisition. All proceeds arising from the issue of the CPS will be used by the Company for purpose of funding and settlement of the Consideration. For the avoidance of doubt, the CPS will be issued in connection with the Subscription and not as consideration shares in settlement of the Consideration payable for the Acquisition.

Conditions precedent under the Subscription Agreement

Completion of the Subscription and issue of the CPS is conditional upon the satisfaction (or if applicable, the waiver) of the following conditions precedent:

(a) approval having been obtained at an extraordinary general meeting of the Company from the Independent Shareholders for (i) the Subscription Agreement; (ii) the proposed grant of the Specific Mandate and (iii) the proposed increase in the authorised share capital of the Company and creation of the CPS;

(b) all necessary licences, consents, approvals, authorisations, permissions, waivers, notices, orders, exemptions from and registrations with governmental or regulatory authorities or bodies and/or other relevant third parties which are required for the entering into of the Subscription Agreement by the parties or Completion having been obtained or made and not having been revoked prior to Completion;

(c) each of the warranties in respect of the Company under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any respect as of the Completion Date;

(d) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Main Board of the Stock Exchange;

(e) simultaneous completion of the Acquisition pursuant to the Acquisition Agreement on the Completion Date; and

(f) approval having been obtained at an extraordinary general meeting of BCL from its independent shareholders for *inter alia*, the Subscription by Get Thrive of the CPS.

Undertakings by the Company

Pursuant to the Subscription Agreement, the Company undertakes to Get Thrive that, without first having obtained consent in writing from Get Thrive, between the date of the Subscription Agreement and the Completion Date, save as pursuant to the terms of the share option scheme of the Company adopted on 14 March 2012 or in connection with the Acquisition and the Subscription Agreement, it shall not:

(a) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe any Shares or any interests in Shares or any securities convertible into or exchangeable for any Shares or interests in Shares; or

(b) agree to enter into or effect any such transaction with the same economic effect as any transactions described in (a) above.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM for the purpose of the allotment and issue of the CPS and the Conversion Shares.

The Issue Price

The Issue Price was determined at after arm's length negotiations between the Company and Get Thrive, having regard to, among other things, the closing price of the Shares immediately before the entering into of the Subscription Agreement, the terms and conditions of the Acquisition Agreement and the Subscription Agreement, the quality and size of the properties held by the Target Group and the audited consolidated net asset value per Share of the Company as at 31 March 2014. The Directors (save and except for the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the terms of the Subscription Agreement are on normal commercial terms and that such terms and the Issue Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole based on current market conditions. The Independent Board Committee considers that the issue of the CPS is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Board Committee is set out on pages 52 to 53 of this circular.

The Issue Price of HK$2.66 per CPS represents:

(a) a discount of approximately 20.8% to the closing price of the Shares of HK$3.36 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 20.1% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$3.33 per Share;

(c) a discount of approximately 19.1% to the average of the closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK$3.29 per Share;

(d) a discount of approximately 12.8% to the average of the closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$3.05 per Share;

(e) a premium of approximately 0.8% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK$2.64 per Share; and

(f) a premium of approximately 173.2% over the audited consolidated net asset value per Share of the Company as at 31 March 2014.

COMPLETION OF THE ACQUISITION AND THE ISSUE OF THE CPS

Completion is expected to take place on the second Business Day after all the conditions as respectively set out in the paragraphs headed "Conditions precedent under the Acquisition Agreement" and "Conditions precedent under the Subscription Agreement" above have either been fulfilled or waived (as the case may be), unless the parties otherwise agree, and the conditions which require simultaneous completion shall be deemed satisfied if all other conditions have been satisfied. It is currently expected that Completion shall take place no later than [REDACTED], upon which the Target Company will become wholly-owned by Far Reaching.

Immediately after Completion, the Company will be able to satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules and there will be no change in control of the Company. Get Thrive will remain as the controlling shareholder of the Company under the Listing Rules and the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group. Please refer to the paragraph headed "Effect of the Acquisition and the issue of the CPS on the shareholding structure of the Company" in this section for the shareholding structure of the Company immediately after Completion.

INFORMATION ON THE CPS AND THE CONVERSION SHARES

The Conversion Shares

The Conversion Shares to be issued upon conversion of the CPS will be issued as fully paid and will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

Application for listing

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

The CPS

The major terms of the CPS are as follows:

Nominal value:	Limited-voting 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
Conversion ratio:	The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share
Conversion rights:	Holders of CPS will have the right to convert all or such number of CPS into Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules
Redemption:	The CPS shall be non-redeemeable by the Company or their holders
Dividend and distribution entitlement:	Each CPS shall confer on its holder the right to receive any dividend *pari passu* with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis. The holders of the CPS shall 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 (but not on conversion of CPS or any repurchase by the Company of CPS or Shares)

Voting rights:	The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.
Transferability:	The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction.
Ranking:	Save as expressly provided in the Articles and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares. The Conversion Shares will be issued as fully paid and will rank *pari passu* in all respects with the Shares in issue as at the date of the conversion.
Adjustment:	If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or sub-division shall be effected on the CPS, in which the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be)
Listing:	No listing will be sought for the CPS on the Stock Exchange or any other stock exchange. However, an application has been made by the Company to the Listing Committee for the listing of, an permission to deal in, the Conversion Shares.

Under the terms of the CPS, (i) there is no voting right attached to the CPS, except in respect of resolution(s) for the winding-up of the Company or the abrogation or variation of the rights and restrictions of the CPS; (ii) the CPS would be non-redeemable and each CPS would be convertible to one ordinary Share and (iii) holders are entitled to dividends of the Company, which would be paid on an as-converted basis and accordingly, the CPS shall not be included when calculating the public float of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE ISSUE OF THE CPS

The Directors consider the Acquisition and the issue of the CPS to be in the interests of the Company as well as the Shareholders taken as a whole for the following reasons:

(a) The Group's existing chemical business is experiencing a substantial decrease in net profit and is not expected to be a meaningful contributor to the operating results of the Enlarged Group going forward

The Group's existing business is in the production of phthalic anhydride (PA) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins. For the financial year ended 31 March 2014, the Group recorded a profit after tax of approximately HK$3.1 million only, representing a substantial decrease of approximately 69.0% as compared to that of the corresponding year ended 31 March 2013. For further details on the Group's financial performance in its latest audited financial year, please refer to the section headed "Financial Information of the Group" set out in Appendix IV to this circular and the management discussion and analysis therein.

The Acquisition is accordingly timely for a change in strategies of the Group and developing a new business focus in the real estate industry sector, thereby enhancing growth potential of the Group and creating potential Shareholder value. As the existing chemical business of the Group is not expected to be a meaningful driver of or contributor to the operating results of the Enlarged Group, the Company may review and consider options for restructuring of the business of the Enlarged Group, including downsizing or disposing of the existing chemical business.

(b) The Enlarged Group will become an overseas-incorporated listed platform of BCL focusing on outlets-backed integrated property projects and commercial property projects in certain selected cities in the PRC

Upon Completion, the Enlarged Group will hold the entire interest in the Xi'an Project, which is the first property project to be developed by the Enlarged Group and a first step of expansion into the real estate market in the PRC. The Enlarged Group intends to further acquire land in selected Target Cities in the PRC with strong growth potentials for the development of other outlets-backed integrated property projects and commercial property projects. The Enlarged Group will be transformed into a real estate platform, primarily focusing on the development, operation and management, sale and leasing of properties in outlets-backed integrated property projects and commercial property projects in selected cities in the PRC.

(c) The Enlarged Group will have a strong capacity to raise funds for its property development business

It is expected that the Target Group and the strong growth potential of the Target Cities for the future development of outlets-backed integrated property projects and commercial property projects by the Enlarged Group will enable the Enlarged Group to obtain equity and debt financing through the Company, which will in turn optimise the debt equity structure of the Enlarged Group, enhance its profitability and facilitate further financing. Furthermore, with BCL as its controlling shareholder and coupled with its strong real estate background, the Directors consider that the Enlarged Group will be in a favourable position to obtain financing on competitive terms from banks and other financial institutions. The Directors believe that the Enlarged Group will have strong capability to raise funds to develop its business so as to create value for its Shareholders.

(d) The Company can minimise the cost of financing through the issue of the CPS

Under the terms of the Acquisition, the consideration is payable fully in cash. The Directors consider that it is in the interest of the Company to fund the Acquisition by way of the issue of the CPS to Get Thrive as it will allow the Company to raise the necessary financing for the Acquisition without the need for additional finance costs, such as interest payments for bank loans.

EFFECT OF THE ACQUISITION AND THE ISSUE OF THE CPS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Details of the shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion (without taking into account any Shares that may be issued as a result of the exercise of any options which may be granted under the share option scheme adopted by the Company on 14 March 2012) are set out below:

	As at the Latest Practicable Date		**Immediately after Completion (assuming no CPS has been converted)**			**Immediately after Completion and assuming all CPS have been converted into Conversion Shares (for illustration only)** *(Note 2)*	
	Number of Shares held	*Approximate percentage of total issued Shares*	*Number of Shares held*	*Approximate percentage of total issued Shares*	*Number of CPS held (Note 1)*	*Number of Shares held*	*Approximate percentage of total issued Shares*
Get Thrive	130,200,000	65.1%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BCG	19,800,000	9.9%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Public	50,000,000	25.0%	50,000,000	25.0%	–	50,000,000	5.3%
Total	200,000,000	100%	200,000,000	100%	738,130,482	938,130,482	100%

Notes:

1. The CPS is convertible into Shares on a conversion ratio of 1:1.

2. This represents the shareholding structure of the Company upon Completion, assuming that all 738,130,482 CPS issued to Get Thrive are converted into Conversion Shares (on a conversion ratio of 1:1). This is for illustration purposes only and does not reflect the actual shareholding structure of the Company upon Completion as the exercise of the conversion rights attaching to the CPS is subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

FINANCIAL EFFECT OF THE ACQUISITION ON THE COMPANY

The financial impact of the Acquisition on the Company (including their effect on the earnings, assets and liabilities of the Company) is illustrated by way of the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to this circular.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the production of phthalic anhydride (PA) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins. Far Reaching was incorporated in Hong Kong and it is an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

As at the Latest Practicable Date, the Group owned one property in the PRC and rented a parcel of land in the PRC for its non-property activities as defined under Rule 5.01(2) of the Listing Rules. The property owned by the Group is located in Haicang District, Xiamen City, Fujian Province in the PRC with a total gross floor area of approximately 9,973 sq.m. This property comprises an industrial complex with four single to three-storey industrial buildings and a three-storey office building, which is used by the Group as production facilities of phthalic anhydride (PA). Pursuant to a pledge agreement dated 8 October 2012 entered into by Nice World Chemical Industry (Xiamen) Co., Ltd., an indirect wholly-owned subsidiary of the Company, as pledgor, the Group has pledged such self-owned property (together with the land parcel on which it is situated) to the lending bank as pledgee to secure certain loan facilities granted to the Group. Please refer to the section headed "Financial Information of the Group" set out in Appendix IV to this circular for further details.

The land parcel leased by the Group in the PRC is also situated in Haicang District, Xiamen City, Fujian Province, the PRC, adjacent to the industrial complex, with a total site area of approximately 12,700 sq.m, on which the Group's production facility of fumaric acid and two storage tanks are located.

Change in control of the Company in 2013

In November 2013, Get Thrive and BCG acquired 56.1% and 9.9% of the then total issued share capital of the Company respectively and Get Thrive made a mandatory general offer for all the Shares (other than the Shares held by its concert parties) in issue at the time. Following completion of the mandatory general offer, there was a change in control of the Company and Get Thrive became the controlling shareholder of the Company.

As at the Latest Practicable Date, Get Thrive and BCG held 65.1% and 9.9% of the issued share capital of the Company respectively.

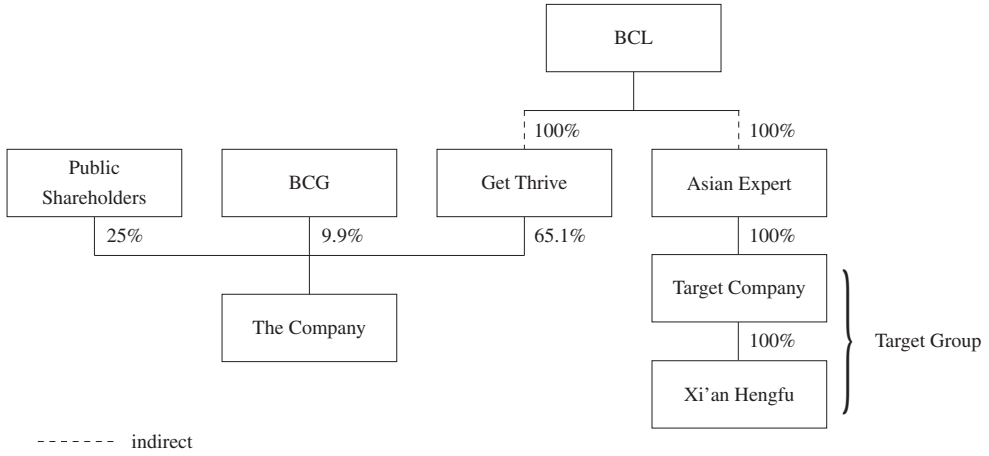
INFORMATION ON BCL, GET THRIVE AND ASIAN EXPERT

Get Thrive is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of BCL. BCL is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). BCL is a large property developer in the PRC, focusing primarily on developing and investing in commercial properties, outlets-backed integrated properties and medium to high-end residential properties, operation of hotels, property consulting services and investment holding. Get Thrive and BCL are controlling shareholders and connected persons of the Company.

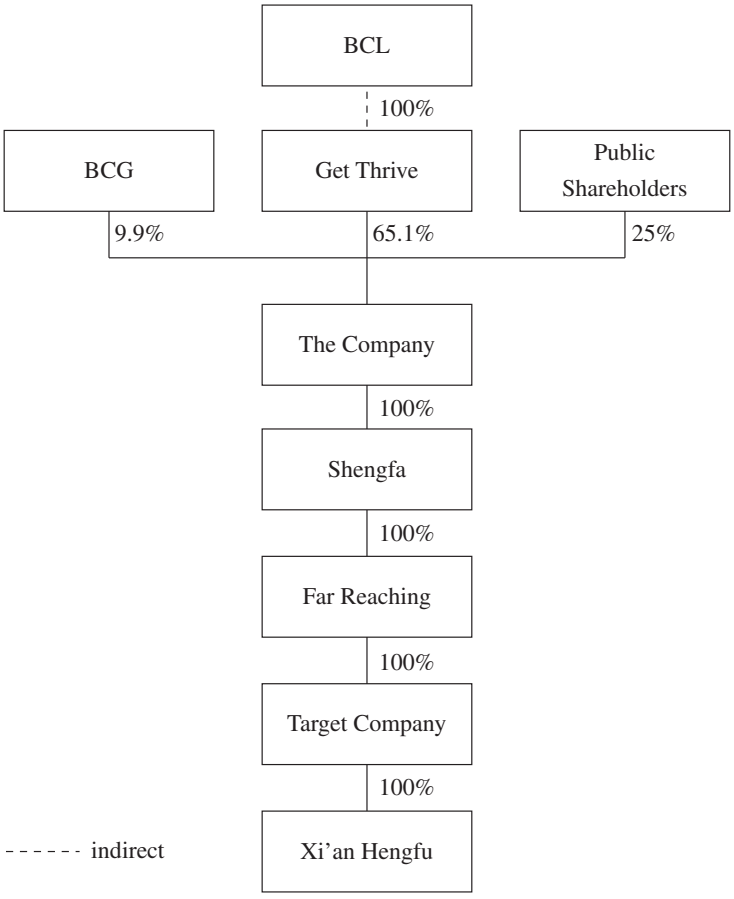
Asian Expert is an investment holding company incorporated in Hong Kong and an indirect wholly-owned subsidiary of BCL. It is a connected person of the Company.

INFORMATION ON THE TARGET GROUP

The corporate structure of the Target Group and a simplified corporate structure of the Company following completion of the BCL Acquisition but immediately before Completion:



A simplified corporate structure of the Company and members of the Enlarged Group immediately after Completion (assuming no CPS has been converted):



Note: the Enlarged Group also consists of three other wholly-owned subsidiaries of Shengfa, being Cheng Wang Limited, Great Top Investment Limited and Nice World Chemical Industry (Xiamen) Co., Ltd. which are directly or indirectly engaged in the chemical business of the Group (the production of phthalic anhydride (PA) and fumaric acid) and are not involved in the Acquisition.

The original cost of acquisition for Asian Expert of the Target Company is approximately RMB1,444.6 million, being the aggregate of (i) in respect of the 40% equity interest in the Target Company acquired by Asian Expert from another wholly-owned subsidiary of BCL, approximately RMB507 million and (ii) in respect of the 60% equity interest remaining, being the Reco Ziyang Interest, RMB937.6 million under the Reco Ziyang Transfer Agreement.

Business of the Target Group

The Target Group holds one property development project, namely, Xi'an First City in Xi'an, Shaanxi Province in the PRC. The Target Group engages in the development, sale and leasing of properties in Xi'an First City, which is designed to comprise outlet shops, offices, retail space, residential buildings and car parking spaces.

Please refer to the section headed "Business of the Target Group" in this circular for further details of the Xi'an Project and the business of the Target Group.

Financial information of the Target Group

For each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the unaudited total revenue of the Target Group was approximately RMB1,188.3 million, RMB95.4 million, RMB1,211.4 million and RMB1,045.3 million, respectively. The Target Group had unaudited net asset value of RMB1,236.3 million as at 30 June 2014.

Please refer to the sections headed "Financial Information of the Target Group" in this circular and "Accountants' Report on the Target Group" set out in Appendix III to this circular for further financial information of the Target Group.

RISKS ASSOCIATED WITH THE ACQUISITION AND THE ENLARGED GROUP

The risks relating to the Acquisition, the business of the Enlarged Group, the business, legal and regulatory environment for property development in the PRC and the general economic, legal and political climate in the PRC are set out in the section headed "Risk Factors" in this circular.

IMPLICATIONS OF THE ACQUISITION AND THE ISSUE OF THE CPS UNDER THE LISTING RULES

The Acquisition constitutes:

(a) a very substantial acquisition for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios are over 100% for the Company in relation to the Acquisition;

(b) a connected transaction of the Company under Chapter 14A of the Listing Rules, as Asian Expert, the seller of the Transfer Interest, is a connected person of the Company by virtue of being a subsidiary of BCL (the controlling shareholder and a connected person of the Company); and

(c) a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and (ii) involves acquisition of assets from Asian Expert (which is an associate of Get Thrive) within 24 months of Get Thrive gaining control (as defined in the Takeovers Code) of the Company,

and accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM.

In addition, as the Acquisition constitutes a reverse takeover of the Company, the Company is being treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition is therefore also subject to the approval of the Listing Committee of a new listing application made by the Company on 17 September 2014. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules. Upon completion of the BCL Acquisition, there will be a technical change in the ownership and control of the Target Company in respect of 60% of its equity interest, i.e. the Reco Ziyang Interest, as a result of the transfer by Reco Ziyang to Asian Expert. The Company has applied for and the Listing Committee has granted a waiver from strict compliance with Rule 8.05(1)(c) of the Listing Rules in connection with the Company's listing application.

The issue of the CPS constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules as Get Thrive, the subscriber of the CPS is a controlling shareholder and connected person of the Company. As the applicable percentage ratios exceed 5%, the issue of the CPS is subject to the approval of the Independent Shareholders at the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND CREATION OF THE CPS

As at the Latest Practicable Date, the authorised share capital of the Company was HK$10,000,000, consisting of 1,000,000,000 Shares of HK$0.01 each, of which 200,000,000 Shares were in issue. The Directors propose to (i) create a new class of shares of HK$0.01 each in the form of the CPS; (ii) increase the authorised share capital of the Company to HK$20,000,000, comprising 2,000,000,000 Shares of HK$0.01 each and (iii) re-classify and re-designate the increased authorised share capital of the Company so that it comprises of Shares and CPS.

PROPOSED GRANT OF SPECIFIC MANDATE

The Company will issue the CPS (which are convertible into the Conversion Shares on a 1:1 conversion ratio) to Get Thrive at the Issue Price. The CPS and the Conversion Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

FINANCIAL ADVISER, SOLE SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Hongkong and Shanghai Banking Corporation Limited has been appointed as the financial adviser to the Company in relation to the Acquisition and the issue of the CPS, and HSBC Corporate Finance (Hong Kong) Limited has been appointed as the Sole Sponsor to the Company's new listing application.

The Independent Board Committee comprising Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on matters in relation to the Acquisition and the issue of the CPS.

The Company has, with the approval of the Independent Board Committee, appointed Altus Capital Limited as the independent financial adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Acquisition and the issue of the CPS.

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 and the Target 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

EGM

A notice of the EGM to be held at [•], [REDACTED] is set out on pages EGM-1 to EGM-4 of this circular for the purpose of considering and, if thought fit, approving (a) the Acquisition; (b) the issue of the CPS; (c) the proposed grant of the Specific Mandate; and (d) the proposed increase in the authorised share capital of the Company and creation of the CPS.

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, [REDACTED] as soon as possible but 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 proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

Shareholders whose names appear on the register of members of the Company on [REDACTED] shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with [REDACTED], the Company's branch share registrar and transfer office in Hong Kong, at [REDACTED] on or before [REDACTED].

VOTING AT THE EGM AND THE BOARD MEETING

Get Thrive, BCG and their respective close associates, and any person who has a material interest in the Acquisition and the issue of the CPS are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve, among others, the Acquisition, the issue of the CPS and the Specific Mandate. To the best knowledge of the Company, Reco Ziyang and its close associates do not hold any Shares in the Company as at the Latest Practicable Date.

All Shareholders shall be entitled to vote on the relevant resolutions to be proposed at the EGM to approve the increase in authorised share capital and creation of the CPS. Voting on the resolutions at the EGM will be taken by poll.

None of the Directors was considered to have a material interest in the Acquisition or the issue of the CPS under the Articles or the Listing Rules. Nevertheless, Mr. Tang Jun, Mr. Liu Xiaoguang and Mr. Wang Hao have abstained from voting on the relevant resolution(s) proposed at the board meeting approving inter alia, the Acquisition, and the issue of the CPS by virtue of their directorships in BCL.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Acquisition Agreement and the Subscription Agreement and after taking into account the advice from the Independent Financial Adviser, considers that the terms of the Acquisition and the issue of the CPS are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the issue of the CPS and the Specific Mandate. The Directors recommend that the Shareholders vote in favour of the resolutions to be proposed to approve the Acquisition, the issue of the CPS and the Specific Mandate as well as other resolutions to be proposed at the EGM.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 52 to 53 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition and the issue of the CPS and the principal factors and reasons which it has taken into account in arriving at its advice, is set out starting on page 54 of this circular.

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Target Group and the Enlarged Group and other information required to be disclosed under the Listing Rules.

WARNING

THE ACQUISITION AND THE ISSUE OF THE CPS ARE SUBJECT TO A NUMBER OF CONDITIONS INCLUDING INDEPENDENT SHAREHOLDERS' APPROVAL, WHICH MAY OR MAY NOT BE FULFILLED. IN ADDITION, THE LISTING COMMITTEE'S APPROVAL OF THE NEW LISTING APPLICATION TO BE MADE BY THE COMPANY MAY OR MAY NOT BE GRANTED. IN THE EVENT THAT THE APPROVAL OF THE NEW LISTING APPLICATION IS NOT GRANTED BY THE LISTING COMMITTEE, THE ACQUISITION AGREEMENT AND THE SUBSCRIPTION AGREEMENT WILL NOT BECOME UNCONDITIONAL AND THE ACQUISITION AND THE ISSUE OF THE CPS WILL NOT PROCEED. SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING OR CONTEMPLATE DEALING IN THE SHARES OR ANY OTHER SECURITIES OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
Juda International Holdings Limited
Mr. Tang Jun
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Acquisition for inclusion in this circular.

JUDA INTERNATIONAL HOLDINGS LIMITED
鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1329)

[•] 2014

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
ISSUE OF THE CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION

We refer to the circular dated [•] issued by the Company, of which this letter forms part (the "circular"). Unless otherwise specified, capitalised terms defined in the circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the Acquisition, the issue of the CPS and the grant of the Specific Mandate, details of which are set out in the section headed "Letter from the Board" contained in the circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on page 54 of the circular.

[Having considered the terms and conditions of the Acquisition Agreement and the Subscription Agreement as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the Acquisition and the issue of the CPS are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.]

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

[On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions approving the Acquisition, the issue of the CPS and the grant of the Specific Mandate at the EGM.]

Yours faithfully,
for an on behalf of
the Independent Board Committee of
Juda International Holdings Limited
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of the CPS, which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

[•] 2014

To the Independent Board Committee and the Independent Shareholders

Juda International Holdings Limited
Suites 2906-08
AIA Central
1 Connaught Road Central
Hong Kong

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) ISSUE OF CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(5) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(6) CHANGE IN PRINCIPAL BUSINESS ACTIVITIES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of the CPS. Details of the Acquisition Agreement and the Subscription Agreement are set out in the "Letter from the Board" contained in the circular of Juda International Holdings Limited (the "**Company**") dated [•] 2014 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 15 August 2014, Far Reaching (as the purchaser), an indirect wholly-owned subsidiary of the Company, and Asian Expert (as the seller), an indirect wholly-owned subsidiary of BCL, entered into the Acquisition Agreement, pursuant to which, subject to the completion of the BCL Acquisition, Far Reaching has conditionally agreed to acquire and Asian Expert has conditionally agreed to sell, the Transfer Interest, representing 100% of the equity interest in the Target Company. The Target Company holds the entire interest in the Xi'an Project.

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios are over 100% for the Company in relation to the Acquisition. Since Asian Expert is subsidiary of BCL (a controlling shareholder and a connected person of the Company), it is a connected person of the Company. The purchase of the Transfer Interest therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, the Acquisition constitutes a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules, on the basis that the Acquisition constitutes a very substantial acquisition of the Company and at the same time involves an acquisition of assets from Asian Expert (which is an associate of Get Thrive) within 24 months of Get Thrive gaining control (as defined in the Takeovers Code) of the Company. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM. In addition, under Rule 14.54 of the Listing Rules, the Company is being treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval of the Listing Committee of a new listing application made by the Company on 17 September 2014.

As Get Thrive, the subscriber of the CPS, is a controlling shareholder and connected person of the Company, the issue of the CPS constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and as the relevant percentage ratios exceed 5%, it is subject to the approval of the Independent Shareholders at the EGM. A Specific Mandate for purpose of the allotment and issue of the CPS is also proposed to be sought from Independent Shareholders at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng has been established to consider the Acquisition and the issue of the CPS, and to give advice and recommendation to the Independent Shareholders as to whether the terms of the Acquisition Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and on how to vote on the ordinary resolutions to be proposed at the EGM.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Acquisition and the issue of the CPS are entered into in the ordinary and usual course of business of the Company and are in the interests of Company and the Shareholders as a whole; (ii) whether the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Subscription and the issue of the CPS.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of the Group

The Group is principally engaged in the manufacture and sale of chemical products, namely phthalic anhydride and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins.

In November 2013, Get Thrive and BCG acquired 56.1% and 9.9% of the then total issued share capital of the Company respectively and Get Thrive made a mandatory unconditional general offer for all the Shares (other than the Shares held by its concert parties) in issue at the time. Following that, there was a change in control of the Company and Get Thrive became the controlling shareholder of the Company.

As set out in the circular of the Company dated 29 November 2013, the Company will explore other business and investment opportunities and consider whether any assets and/or business acquisitions by the Company in real estate will be appropriate to enhance its growth. The Acquisition being proposed is the first step taken by the Company, after the change in control, in its expansion into the real estate industry in the PRC. After Completion, the Directors will review the businesses and strategies of the Enlarged Group and may consider options for restructuring its businesses, including downsizing or disposing of its chemical business.

Set out below is a financial highlight of the Group for the three years ended 31 March 2012, 2013 and 2014 as extracted from the annual report of the Company for the year ended 31 March 2013 (the "**2013 Annual Report**") and the annual report of the Company for the year ended 31 March 2014 (the "**2014 Annual Report**").

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	294,425	252,437	331,472
Cost of sales and services	(255,852)	(211,964)	(300,852)
Gross Profit	**38,573**	**40,473**	**30,620**
Gross profit margin	13.1%	16.0%	9.2%
Administrative expenses	(9,308)	(18,347)	(18,723)
Profit before taxation	**24,579**	**17,505**	**8,278**
Taxation	(4,336)	(7,437)	(5,158)
Profit for the year	**20,243**	**10,068**	**3,120**

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	214,116	254,250	258,281
Total liabilities	75,130	65,834	63,553
Net assets	**138,986**	**188,416**	**194,728**

Year ended 31 March 2013 compared to year ended 31 March 2012

Revenue decreased by approximately 14.3% to approximately HK$252.4 million for the year ended 31 March 2013, mainly attributable to the decrease in production and sales volume of phthalic anhydride ("**PA**"), fumaric acid and other by-product of PA as described in the 2013 Annual Report.

Gross profit margin grew from approximately 13.1% in 2012 to approximately 16.0% in 2013 as the Group had speeded up its production and sales at margins higher than the average in the previous year before the drastic rise in raw material cost.

Profit for the year decreased by approximately 50.3% to approximately HK$10.1 million in 2013, primarily due to the increase in administrative expenses and taxation. The increase in administrative expenses by approximately 97.1% to approximately HK$18.3 million in 2013 was mainly attributable to the listing expenses incurred as a result of the listing of the Shares on the Stock Exchange in April 2012 and the increase in staff costs. Taxation increased by approximately 71.5% to approximately HK$7.4 million in 2013 as the 50% tax relief previously available to the Group's operating subsidiary in the PRC under relevant PRC laws and regulations had ceased in January 2012.

The net assets of the Group increased to approximately HK$188.4 million as at 31 March 2013, representing an increase of approximately 35.6% from approximately HK$139.0 million as at 31 March 2012. Such increase was mainly attributable to proceeds raised from the listing of the Company on the Main Board of the Stock Exchange on 2 April 2012. The net proceeds received from the initial public offering (the "**Proceeds**"), after deducting underwriting commissions and other estimated expenses payable for the offering, were approximately HK$28.7 million.

Year ended 31 March 2014 compared to year ended 31 March 2013

Revenue for the year ended 31 March 2014 amounted to approximately HK$331.5 million, representing an increase of approximately 31.3%. As described in the 2014 Annual Report, the revenue increase was driven largely by an increase in production and sales volume of PA, fumaric acid and other by-product of PA.

Gross profit margin however declined significantly from approximately 16.0% in 2013 to approximately 9.2% in 2014 mainly due to increase in average purchase cost of ortho-xylene ("**OX**"), a major raw material in the Group's production process, and decrease in average selling price of PA sold by the Group. Hence, profit for the year ended 31 March 2014 decreased significantly by approximately 69.0% to approximately HK$3.1 million.

The net assets of the Group remained relatively stable, which amounted to approximately HK$194.7 million as at 31 March 2014, representing a slight increase of approximately 3.4% from approximately HK$188.4 million as at 31 March 2013.

2. Background of BCL, Get Thrive and Asian Expert

BCL is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock code: 2868). BCL Group engages in (i) developing residential properties; (ii) developing urban commercial complexes and outlets-backed integrated property projects; (iii) hotel operation and property consulting services; and (iv) primary land development. For the year ended 31 December 2013, BCL Group recorded revenue of approximately RMB11.3 billion and contracted sales of approximately RMB19.6 billion and for the six months ended 30 June 2014, BCL Group recorded revenue of approximately RMB4.5 billion and contracted sales of approximately RMB6.8 billion. As at 30 June 2014, BCL Group has 52 property development projects in cities around the PRC other than the Target Cities, comprising residential projects and integrated residential and commercial complexes. According to the interim results announcement of BCL for the six months ended 30 June 2014, as at 30 June 2014, BCL Group had a total land bank of GFA of approximately 11,173,601 sq.m. and above-the-ground GFA to be sold of approximately 9,218,468 sq.m.

Get Thrive is an investment holding company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of BCL. Asian Expert is an investment holding company incorporated in Hong Kong and also an indirect wholly-owned subsidiary of BCL.

3. Background of the Target Group

The corporate structure of the Target Group can be found in the paragraph headed "Information on the Target Group" in the "Letter from the Board" of the Circular. The Target Group holds one property development project, namely, Xi'an First City in Xi'an, Shaanxi Province in the PRC, which is designed to be a property project featuring a cluster of outlet shops and also comprising offices, retail space, residential buildings, car parking spaces and a kindergarten school.

The business model of the Target Group is the development, sale and leasing of properties in Xi'an First City. As at 30 June 2014, Xi'an First City occupied a total site area of 355,914 sq.m. and had seven phases of properties completed or under construction with a total saleable GFA of 1,241,791 sq.m. and further land for future development with a planned total GFA of 382,047 sq.m. As at 30 June 2014, the aggregate market value as valued by DTZ attributable to the properties owned by the Target Group was approximately RMB2,671.7 million. As at the same date, excluding the properties sold, the Target Group owned 956,614 sq.m. of this project.

As at 30 June 2014, the Target Group had cumulatively completed the development of a GFA of 945,850 sq.m. The Target Group had sold and pre-sold 712,047 sq.m. and 132,473 sq.m, respectively, within Xi'an First City up to 30 June 2014. Further details of the Target Group and their underlying projects can be found in the section headed "Business of the Target Group" of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014, the Target Group recorded revenue of approximately RMB95.4 million, RMB1,211.4 million and RMB1,045.3 million respectively, and net profits of approximately RMB11.3 million, RMB234.5 million and RMB181.0 million respectively. Set out below is a financial highlight of the Target Group for the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014. Details of the financial information of the Target Group are set out in the section headed "Financial information of the Target Group" in the "Letter from the Board" of the Circular and Appendix III to the Circular.

	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	95,420	1,211,440	889,058	1,045,287
Cost of sales and services	(57,588)	(844,832)	(667,824)	(760,021)
Gross Profit	**37,832**	**366,608**	**221,234**	**285,266**
Profit for the year/period	**11,330**	**234,478**	**154,385**	**181,015**

	As at 31 December		As at 30 June
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	520	340	270
Total current assets	3,158,424	3,870,403	3,281,497
Total current liabilities	1,934,146	1,975,467	1,982,976
Total non-current liabilities	20,000	456,000	62,500
Net current assets	1,224,278	1,894,936	1,298,521
Net assets	**1,204,798**	**1,439,276**	**1,236,291**

	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash flows from/(used in) operating activities	54,010	452,921	43,052	(87,269)
Net cash flows from/(used in) investing activities	117,566	(639,444)	(130,214)	67,173
Net cash flows from/(used in) financing activities	(231,446)	280,421	114,159	91,752

4. The PRC property market

Overview of the PRC economy

As described in Appendix I to the Circular, the PRC economy had experienced a significant expansion over the past five years. In 2009, the PRC government launched a RMB4 trillion stimulus package after the global financial crisis in 2008. China was among the first economies in the world to rebound from the global financial crisis and maintained positive economic growth throughout the crisis. According to real GDP statistics in 2010, China overtook Japan to become the world's second largest economy. In 2011, China held this position firmly with a nominal GDP of approximately RMB47,310 billion. China's nominal GDP in 2013 climbed to approximately RMB56,885 billion.

Overview of the PRC property market

As set out in Appendix I to the Circular, in terms of the PRC property market, total investments rose from approximately RMB3,624 billion in 2009 to approximately RMB8,601 billion in 2013, representing a CAGR of approximately 24.1%. During the same period, the total GFA of properties sold in China increased from approximately 948 million sq.m. in 2009 to approximately 1,306 million sq.m. in 2013, representing a CAGR of approximately 8.3%, while the average selling price of overall properties increased from approximately RMB4,681 per sq.m. to approximately RMB6,237 per sq.m. during this period, representing a CAGR of approximately 7.4%.

Supply and demand of properties for residential and for commercial uses have seen a steady increase over the same period.

According to National Bureau of Statistics of China, CAGRs of total GFA completed and total GFA sold for residential properties were approximately 7.2% and 7.6% from 2009 to 2013, respectively. Benefiting from increasing urbanisation and disposable income per capita, retail sales value also saw growth in recent years.

The rising disposable income and GDP supported the growth in retail market where retail sales grew at a CAGR of approximately 15.7% from 2009 to 2013. Such retail sales growth in turn has spurred demand for commercial properties. The CAGRs of total GFA completed and total GFA sold for commercial use properties were approximately 12.3% and 12.3%, respectively, from 2009 to 2013.

While the outlet market is matured in North America and Europe, it is fragmented in China and is still in the initial development stage. Benefiting from increasing per capita disposable income, the demand for luxury consumption grows rapidly. In recent years, a number of property developers, and department store and shopping mall operators have begun undertaking property development and investment for outlet style projects, primarily in the first- and second-tier cities in the PRC.

Overview of Xi'an

Xi'an is the capital of Shaanxi province and is a world historical and cultural city. It is also the research, educational and industrial base of Western China. As described in the section headed "Industry overview" of the Circular, Xi'an's GDP increased from RMB272 billion in 2009 to RMB488 billion in 2013, representing a CAGR of approximately 15.7%

over the same period. Per capita disposable income of urban households increased from RMB18,963 in 2009 to RMB33,100 in 2013, representing a CAGR of 14.9% over the same period. According to Bureau of Statistics of Xi'an, real estate investments increased by 24.5% to approximately RMB160 billion in 2013 from RMB128 billion in 2012. Total GFA (for all property types) sold in 2013 recorded an increase of 6.5% from 15.3 million sq.m. in 2012 to 16.3 million sq.m. in 2013.

Xi'an is a popular location for domestic and international retail brands in Western China and has also attracted many developers to develop commercial and urban complex projects in CBD and outskirt commercial areas of the city. The retail sales in Xi'an have grown rapidly with a CAGR of 16.5% from 2009 to 2013, which is higher than the CAGR of 15.7% for overall retail sales in China during the same period.

In summary, the real estate markets in the PRC and in Xi'an have been experiencing continuous growth in the past years. The Acquisition will allow the Group to enter into the PRC real estate market, and over the medium to long term, benefit from the expected growth of the real estate market in Xi'an. Further, as disclosed in the "Industry overview" set out in Appendix I to the Circular, aiming to be an international metropolitan city in Western China, the urbanisation process in Xi'an has accelerated in the past with the urbanisation rate increasing from 68.9% in 2009 to 72.0% in 2013. Meanwhile, per capita disposable of urban households in Xi'an has achieved rapid increase, reaching RMB33,100 in 2013, representing a CAGR of 14.9% from 2009 to 2013. Such increase in urbanisation and improved living standards is expected to drive the demand and investments in the Xi'an property market.

5. Prospects of the Group after the Acquisition

The Group had been operating under a difficult operating market environment. As described in the paragraph, headed "Background of the Group" above, the Group's existing chemical business has shown a significant deterioration in its financial performance. For the financial year ended 31 March 2014, the Group's profit after tax had substantially decreased by approximately 69.0% to approximately HK$3.1 million. This was mainly due to the fact that (i) the average selling price of PA, one of the main products of the Group, had decreased due to weaker market demand; and (ii) the average purchase costs of OX, the major raw material of producing PA, had meanwhile increased. The combined effect of the decrease in average selling price of PA and an increase in purchase costs of OX had led to the narrowing of profit margin.

Following Completion, the Company can immediately share the brand, goodwill and platform which BCL Group has established through many years of cultivation. On top of that, upon Completion, the Enlarged Group will become an overseas-incorporated listed real estate platform of BCL focusing on the development, sale and leasing of outlets-backed integrated property projects and commercial property projects in certain selected cities in the PRC. This will allow the Group to benefit from the growing demand for luxury consumption in the context of increasing per capita disposable income in the PRC. This has been discussed in detail in Appendix I to the Circular. These compare favourably with the unclear future of the Group's existing chemical business.

The Target Group is generating positive cash flow from operating activities and has been profitable. As part of the Xi'an Project is already in its sales stage, it is expected to continue to generate profit and positive cash flow in the future. This compares favourably to the Group's existing business which has shown significant downturn in the recent years. The Group is not

expected to experience funding pressure in future after the Acquisition as the Target Group is self-sufficient in this respect. As stated in the section headed "Financial information of the Target Group" of the Circular, taking into account the Target Group's operating cash inflows, repayments from related parties, future bank borrowings, if required, and other financial resources available to the Target Group and the Enlarged Group, in the absence of unforeseen circumstances, the Directors are of the view that the Enlarged Group has sufficient working capital to meet its capital requirements for its operations for at least the next 12 months from the date of the Circular.

In summary, the Xi'an Project is relatively mature and part of the project has entered into sales stage, which is important for the financing of the future development of the remaining phases. Such financing will either be from the positive cash flows generated from such sale or from borrowings. Given the current stage of development of the Xi'an Project, we are of the view that the Group's risk of undertaking the Xi'an Project after the Acquisition will be comparatively lower than, for example, it initiating a property development project. For risks involved in property development in the PRC, please refer to the section headed "Risk factors" of the Circular.

Moreover, upon Completion, a team of senior management with extensive experience and proven track record in property business in the PRC will join the Enlarged Group. The Enlarged Group is therefore well positioned to further expand the Property Business in the PRC, including in terms of equity fund raising.

Meanwhile, it remains uncertain whether the Group's chemical business will recover and even if so, the timing of such recovery. Taking this into account, we concur with the Directors that the Acquisition is in line with the strategies of the Group and allows it to develop a new business focus in the real estate sector. It enables the Group to undergo a fundamental change while acquiring a business with proven track record which can in turn enhance growth potential of the Group and create Shareholder value.

6. The Consideration

Basis of the Consideration

The Consideration for the Acquisition is approximately HK$1,963.4 million, which shall be payable by the Company on behalf of Far Reaching at Completion. The Consideration was determined after arm's length negotiation among the parties to the Acquisition Agreement and is based on and pro-rata to the consideration of the BCL Acquisition.

We note that in arriving at the Consideration, the parties have taken into account of (i) the equity attributable to Shareholders as at 30 June 2014 based on the unaudited financial statements of the Target Group in an amount of approximately RMB1,236.3 million (equivalent to approximately HK$1,583.4 million) as set out in Appendix III to the Circular; and (ii) the appreciation of properties attributable to Shareholders based on a preliminary appraisal by DTZ as at 30 June 2014 and post adjustment of the estimated amount of the relevant taxes payable by the Target Group in an amount of approximately RMB839.1 million (equivalent to approximately HK$1,074.7 million). In view of this, we consider that the basis of the calculation, in effect, serves to calculate the net asset value of the Target

Group, taking into account the latest value of the properties. Net asset value is a commonly adopted approach for valuations of property businesses and companies, and therefore we are of the view that this approach is fair and reasonable.

In respect of property appraisals, we have discussed with DTZ and noted that the valuation has been prepared by direct comparison approach by making reference to comparable sale evidences available on 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. It was assumed that property interests which are currently held under development will be developed and completed in accordance with the latest development proposal provided by the Target Group. These property interests were valued by adopting the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and taking into account (i) the accrued construction cost and professional fees relevant to the respective stage of construction as at the valuation date; and (ii) the remainder of the cost and fees that are expected to be incurred for completing the development. We consider this methodology and the underlying assumptions to be a commonly adopted approach and justifiable. Details of the valuation of the properties of the Target Group are contained in the property valuation report set out in Appendix VI to the Circular.

We understand from the management of the Company that when negotiating the Consideration, they have additionally taken into account the effect of future taxes attributable to the Company of approximately RMB524.8 million (including business tax, land appreciation tax and income tax) that will be payable upon the sale of the properties of the Target Group. Based on our discussion with the management of the Company, the future tax effect is estimated based on prevailing government tax policies and current valuations of the property interests of the Target Group. The actual amount of tax payable may differ from the estimates for reason of, *inter alia*, changes in government tax policies (including tax rates) and the actual selling prices of the properties in the Target Projects. In view of the understanding above, we are of the view that the basis of calculation of the future tax effect is reasonable.

Based on the above, the Consideration of approximately HK$1,963.4 million represents a discount of approximately 24.7% to the reassessed net asset value of the Target Group of RMB2,075.4 (equivalent to approximately HK$2,658.1 million) as at 30 June 2014. Thus, we are of the view that the Consideration is to the advantage of the Company and Shareholders as a whole.

Payment method

For funding and settlement of the Consideration, the Company will issue the CPS. On 15 August 2014, Get Thrive (as the subscriber) and the Company (as the issuer) entered into the Subscription Agreement, pursuant to which Get Thrive will subscribe for and the Company will issue 738,130,482 CPS on the terms and conditions set out in the Subscription Agreement at an issue price of HK$2.66 per CPS. All proceeds arising from the issue of the CPS will be used to settle the Consideration payable for the Acquisition.

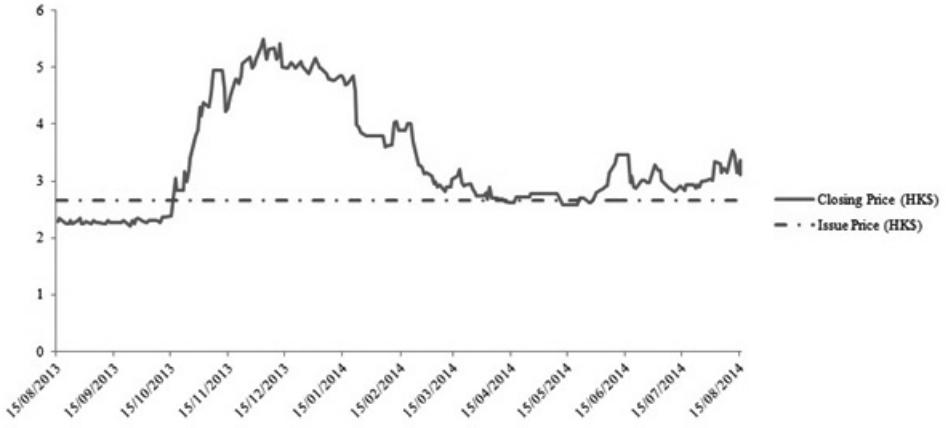
As discussed above, the Consideration is payable fully in cash raised through the issue of the CPS. The Directors have considered other means of fund raising such as obtaining bank financing and are of the view that it will not be commercially viable for the Group to obtain bank financing of this scale from banks since the target amount of funds to be raised

is relatively large as compared to the Group's asset base. Meanwhile, we are also of the view that even if the banks are willing to offer loans of this scale, banks are likely to offer unfavourable loan terms and the Group will likely be required to provide collaterals on its assets. In view of the likely unfavourable loan terms from banks if such loans were granted, we consider that it is in the interest of the Company to fund the Acquisition by way of the issue of the CPS to Get Thrive as it will allow the Company to raise the Consideration without the need for additional finance costs, such as interest payments for bank loans.

Based on the above, we are of the view that the Company's payment of the Consideration using the CPS to be issued pursuant to the Specific Mandate is fair and reasonable. Further discussion on the Issue Price is found below.

Issue Price

To consider the reasonableness of the Issue Price, we have, among others, analysed it compared to the recent market price of the Shares. The chart below sets out the market price of the Shares during the 12-month period up to the release of the announcement on 15 August 2014 (the "**Announcement**").



Source: HKEx

As shown above, the market price of the Shares increased sharply in mid October 2013. On 17 October 2013, the Company made an announcement that the controlling shareholder of the Company had been approached by an independent third party who expressed an interest in acquiring Shares in the Company. Subsequent to this, the closing price of the Shares had increased abruptly and sharply from about HK$2.37 per Share before the aforesaid announcement, to a high of about HK$5.51 per Share level in early December 2013. It then retreated to about HK$2.58 per Share level in mid May 2014 before gradually increasing again to HK$3.11 immediately before the Announcement. The market price of Shares has since decreased to around HK$2.64 as at the Latest Practicable Date.

It is noted that the prices of Shares had started to increase sharply in mid October 2013. Meanwhile, there had not been any significant improvement in the Group's financial performance and position, nor was there any development in the Group which had significant positive impact on its business prospects or outlook, during the period from 1 April 2013 to the date of the Announcement.

Given the Group's (i) difficult operating market environment where profitability was low at approximately HK$3.1 million for the year ended 31 March 2014; (ii) relatively subdued financial position where net asset value as at 31 March 2014 amounted to only approximately HK$194.7 million; and (iii) unclear business prospects, there is no apparent and fundamental reason supporting the market capitalisation of the Company of more than HK$1,102.0 million based on the price levels in early December 2013 or even the market capitalization of approximately HK$672.0 million as at the Last Trading Day. We are of the view that a plausible reason could be market speculations on possible corporate actions by the Company's ultimate controlling shareholder, being BCL Group.

Having considered the above, we are of the view that it is reasonable that lesser weight be placed on market price of Shares when determining the Issue Price. Instead, given the nature of the Acquisition is property-related business, more weight should be placed on the net tangible asset per Share of the Enlarged Group as set out in the paragraph headed "Unaudited pro forma net tangible assets of the Enlarged Group" under the section headed "Financial information of the Target Group" of the Circular.

Net asset value per Share

The net asset value per share of the Enlarged Group, based on the unaudited pro forma net asset value of approximately [REDACTED] (equivalent to approximately [REDACTED]) and the expected total number of Shares outstanding of 938,130,482 (assuming all CPS have been converted into Conversion Shares), will be approximately [REDACTED].

Since the Issue Price of HK$2.66 per Share is at a premium of approximately 173.2% over the audited consolidated net asset value per Share of the Company as at 31 March 2014 and is at a premium of approximately [REDACTED] over the net asset value per Share of the Enlarged Group based on the unaudited pro forma financial information as set out in Appendix V to the Circular, we are of the view that the Issue Price per Share is to the advantage of the Company and Shareholders as a whole.

7. Effects on the Company's shareholding structure

The following table illustrates the shareholding structure of the Company (i) as at the date of the Circular; (ii) immediately after Completion assuming no CPS has been converted; and (ii) immediately after Completion assuming all CPS have been converted into Conversion Shares.

	As at the date of the Circular		Immediately after Completion (assuming no CPS has been converted into Conversion Shares)			Immediately after Completion (assuming all CPS have been converted into Conversion Shares)	
	Number of Shares	*Approx. % of total*	*Number of Shares*	*Approx. % of total*	*Number of CPS held*	*Number of Shares*	*Approx. % of total*
Get Thrive	130,200,000	65.1	130,200,000	65.1	738,130,482	868,330,482	92.6
BCG	19,800,000	9.9	19,800,000	9.9	–	19,800,000	2.1
Public	50,000,000	25.0	50,000,000	25.0	–	50,000,000	5.3
Total	**200,000,000**	**100.0**	**200,000,000**	**100.0**	**738,130,482**	**938,130,482**	**100.0**

As shown in the table, after the completion of the Acquisition, Get Thrive will remain as the majority shareholder of the Group and there will be continuity in this respect. There will also be continuity, if not strengthening, of the existing management of the Group.

There will however be a dilution in the shareholding interests of Independent Shareholders from approximately 25.0% as at the Latest Practicable Date to approximately 5.3% on a fully diluted basis (i.e. if all CPS have been converted into Conversion Shares). The dilution effect in itself is not favourable to Independent Shareholders. Nevertheless, it is important to note the significant positive effect of the Acquisition to the Group's future financial position and financial performance as discussed in the paragraph headed "Possible financial effects of the Acquisition" in this letter.

The Group has shown a significant deterioration in its financial performance. For the financial year ended 31 March 2014, the Group's profit after tax had substantially decreased by approximately 69.0% to approximately HK$3.1 million only. In comparison, as shown in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V of the Circular, the pro forma net profit of the Enlarged Group for the year ended 31 December 2013 will be approximately RMB255.8 million and the pro forma net asset value of the Enlarged Group as at 30 June 2014 will be approximately [REDACTED]. In addition, the Xi'an Project is already in sales stage, generating positive cash flow.

Meanwhile, there will be enhancements in both net asset value per Share and earnings per Share after Acquisition. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, the net asset value per Share will increase from approximately HK$0.97 to [REDACTED] while the earnings per Share will increase from approximately HK$0.02 to HK$0.35, on a fully diluted basis, upon Completion.

In summary, we are of the view that the aforesaid shareholding dilution of Independent Shareholders is acceptable on the basis that it is more advantageous to Independent Shareholders to have a smaller shareholding interests in a company which is profitable and with strong net asset backing, rather than to have a larger shareholding interests in a company which has low profitability and asset backing.

8. Possible financial effects of the Acquisition

Upon Completion, the Company will have controlling interest in the Target Group and all members of the Target Group will then become direct/indirect subsidiaries of the Company. The results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Group thereafter.

Earnings

Based on the Accountants' Report of the Target Group as set out in Appendix III to the Circular, for the year ended 31 December 2013 and the six months ended 30 June 2014, profit generated by the Target Group amounted to approximately RMB234.5 million (equivalent to approximately HK$300.3 million) and RMB181.0 million (equivalent to approximately HK$231.8 million) respectively. As shown in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V of the Circular, (assuming the Acquisition had been completed on 31 December 2013), the Enlarged Group would have generated approximately RMB255.8 million (equivalent to approximately HK$327.6 million) in profit for the year ended 31 December 2013 whereas the Group recorded a profit of approximately HK$3.1 million for the year ended 31 March 2014.

Net asset value

The unaudited pro forma statement of financial position of the Enlarged Group showing the effect of the Acquisition on net asset value (assuming the Acquisition had been completed on 30 June 2014) is set out in Appendix V of the Circular. Based on the Group's financial information as at 31 March 2014 and the Target Group's financial information as at 30 June 2014, net asset value of the Enlarged Group will be approximately [REDACTED] (equivalent to approximately [REDACTED]) immediately after Completion compared to the Group's net asset value of approximately HK$194.7 million as at 31 March 2014.

Gearing

According to the Group's 2014 Annual Report, the Group's gearing ratio (calculated as net debt divided by the capital) amounted to approximately 13.6% as at 31 March 2014. Based on the pro forma statement of financial position of the Enlarged Group set out in Appendix V to the Circular, the Enlarged Group's cash and cash equivalent balance will be approximately [REDACTED] (equivalent to approximately [REDACTED]) as at 30 June 2014. With total borrowings and capital of approximately [REDACTED] and [REDACTED] (equivalent to approximately [REDACTED]) respectively, the gearing ratio of the Enlarged Group will increase slightly to approximately [REDACTED] after Completion. Such increase was mainly due to the use of interest bearing bank loans to finance the Xi'an Project by the Target Group, which is typical for real estate business.

Cash flow

Based on the Group's 2014 Annual Report, the Group had cash and cash equivalent of approximately HK$23.9 million as at 31 March 2014. As aforementioned, the Consideration will be satisfied by the issuance of the CPS as shown in the pro forma statement of financial position of the Group as set out in Appendix V to the Circular. Together with the consolidation of the Target Group's assets, the cash and cash equivalent of the Group will increase to approximately [REDACTED] (equivalent to approximately [REDACTED]) immediately after Completion (assuming the Acquisition had been completed on 30 June 2014).

While we noted that gearing will increase after the Acquisition is completed, we are of the view that this is mainly attributable to the nature of real estate business of the Target Group. In any event such gearing level remains relatively low. In view of the above, we are of the view that the overall potential financial effects of the Acquisition are positive and it will potentially improve the financial position of the Group, and is in the interests of the Company and the Shareholders as a whole.

9. Business delineation

Management independence

As discussed in the paragraph headed "Independence from the BCL Group" of the section headed "Relationship with the Controlling Shareholders" of the Circular, the Company's board of Directors and senior management will be independent from BCL Group after the Completion, save for the overlapping of (i) Mr. Tang Jun, the Company's chairman and an executive Director (who is the president and an executive director of BCL); (ii) Ms. Liu Xiaoguang, a non-executive Director (who is the chairman and an executive director of BCL); and (iii) Mr. Wang Hao, a non-executive Director (who is a non-executive director of BCL).

Based on the above, four out of seven members of the Board will not hold any position in BCL upon Completion. Accordingly, a majority of the members of the Board will be independent from BCL and the Directors who will continue to hold positions in BCL will not, whether acting alone or collectively, have an absolute majority to pass any resolution of the Board. Moreover, three out of seven Directors (i.e. over one-third of the Board), are independent non-executive Directors and there is no overlap in the independent non-executive Directors of the Company and BCL, which is in line with corporate governance best practice in Hong Kong.

The day-to-day operation of the Enlarged Group will principally be managed by Mr. Zhong Beichen, the Chief Executive Officer and executive Director, with the support of a team of experienced management. Mr. Zhong has over 10 years of experience in the property development industry and possesses in-depth operational experience in managing commercial property projects and outlets-backed integrated property projects in the PRC. Besides, there will be no over-lapping of senior management personnel between the Enlarged Group and BCL Group. The senior management team will resign from their respective positions in BCL Group upon Completion and be employed as full-time employees of the Enlarged Group. They will be independent from the employment by and operations of BCL. The Enlarged Group will accordingly have its own senior management team, who will bring with them experience in the operations of outlets-backed integrated property projects and commercial property management.

The presence of Directors from different backgrounds provides a balance of views and opinions. Having considered the above factors, we concur with the Directors' view that they are able to perform their roles in the Enlarged Group independently.

Operational independence

The operations of the Enlarged Group and BCL Group will be physically separated by geographical locations. The Enlarged Group will operate exclusively in the Target Cities and BCL Group will operate exclusively in the non-Target Cities.

The Enlarged Group will possess all material licenses, approvals and permits to carry on and operate its business independently of BCL Group. Besides, sales and procurement activities will be independently carried out by the Enlarged Group and there will not be any centralised sales or procurement arrangements between the Enlarged Group and BCL Group.

Moreover, the Enlarged Group will have an independent work force to carry out the development of property projects and is operationally independent from BCL Group. It will establish its own operational and organisation structure with dedicated departments and management personnel to run daily operations.

During the Track Record Period, the Target Group paid consulting fees of RMB16.0 million, RMB13.0 million, RMB22.0 million and RMB19.0 million to BCL for consulting services relating to sales and marketing strategies and property development strategies provided to the Target Group. To maintain operational independence of the Enlarged Group, no further consulting services will be obtained from BCL Group after Completion and the Enlarged Group will have its own strategic and planning team under the leadership of the Strategic Committee of the Board.

Accordingly, we concur with the Directors view that the Enlarged Group will be able to operate independently of BCL Group.

Financial independence

The Enlarged Group will have its own financial and accounting system independent of BCL Group and accounting functions and financial decision making will be carried out by the Enlarged Group independently and according to its own business needs and financial conditions. The Enlarged Group will also operate its own treasury function independently.

During the Track Record Period, the Target Group has demonstrated its ability to raise financings from commercial banks by providing properties under development and time deposits as security without any credit support from BCL Group as described in paragraph headed "Indebtedness and contingent liabilities" under the section headed "Financial Information of the Target Group" of the Circular for further details. In addition, the Target Group has generated profit after tax of approximately RMB234.5 million and cash flow from operating activities of approximately RMB452.9 million for the latest audited financial year ended 31 December 2013 and further income from sales activities are expected from properties in Phases 5 to 7 and Phase 5A which are under development or planned for development. The Enlarged Group will have capacity to raise sufficient funds for the development of its property projects. Thus, we concur with the Directors' view that the Enlarged Group will be able to obtain new financings and extend existing financings from commercial banks on comparable terms without guarantee or other security from BCL Group following Completion.

As at the Latest Practicable Date, Shenyang Capital Xinzhi Real Estate Company Limited*(沈陽首創新資置業有限公司)("**Shenyang Capital**"), an associate of BCL, granted a guarantee for an aggregate balance of RMB260.0 million to the Target Company and the Target Company also granted a guarantee for an aggregate balance of RMB279.0 million to Shenyang Capital. All such guarantees will be released and discharged on or prior to Completion. Upon Completion, the Enlarged Group is not expected to rely on any new guarantee, loan or other financial assistance from BCL Group.

Based on the above, we are of the view that the Enlarged Group will be able to maintain financial independence from BCL Group upon Completion.

10. Selection process of the business and Target Cities

The businesses of the Enlarged Group and the BCL Group are delineated based on their geographical locations. After Completion, the Enlarged Group will conduct its business only in the 17 Target Cities in the PRC and BCL Group will conduct its business in the non-Target Cities in the PRC. There is no overlapping city among the Target Cities and the non-Target Cities in which BCL Group will operate in. The Acquisition therefore entails BCL Group identifying and selecting suitable projects out of its entire project portfolio. For the Company and the Independent Shareholders as a whole, the basis of the selection process is important as it affects the Enlarged Group's future business development, geographical coverage and financial performance. To this end, we noted that the Target Cities were selected on the criteria as summarised below:

- BCL Group does not currently have any property development projects as at the Latest Practicable Date or have any current intention to expand into;
- second-tier cities in the PRC which are officially classified by the PRC government either as (i) provincial capital cities; (ii) prefectural level city; or (iii) state-plan designated cities;
- sizeable regional economies and high growth potentials; and
- supported with extensive transportation networks such as highways and/or railway, allowing mass transit and convenience of access.

Apart from the abovementioned geographical delineation, the businesses of the Enlarged Group and BCL Group are further delineated by their different business positioning. Following Completion, the Enlarged Group and BCL Group are expected to have their own respective focuses in different cities in the PRC. The Enlarged Group will be developing outlets-backed integrated property projects and commercial property projects in the PRC while BCL Group will continue to engage in the development of residential property projects, urban commercial complexes and outlets-backed integrated property projects.

BCL Group will carry on operating its existing outlets-backed integrated property projects in Beijing, Kunshan, Huzhou and Hainan. Such outlets are excluded from the Acquisition for two reasons:

(i) the outlets-backed integrated property projects in Beijing and Kunshan are held through an onshore investment structure by BCL and pursuant to the Notice of the State Council Regarding the Further Strengthening of the Administration of the Share Issuance and Listing of Joint Stock Company outside the Mainland, such transfer of onshore assets would require the consent of the CSRC and approval by the State-owned Assets Supervision and Administration Commission of the State Council. Given that there are no specific guidelines on the timing and review procedures to be undertaken by CSRC under the relevant PRC laws, the review procedures can be long

and the result may be uncertain, BCL has no current intention to inject the outlets-backed integrated property projects in Beijing and Kunshan into the Enlarged Group in the near future unless the relevant laws have changed or circumstances permit; and

(ii) BCL has other plans for the outlets-backed integrated property projects in Huzhou and Hainan, which currently include disposal of such projects, if it receives favourable terms from potential purchaser(s), and accordingly, BCL has no current intention to inject these two projects into the Enlarged Group in the near future.

Despite the fact that the BCL Group will continue to operate its existing outlets-backed integrated property projects in Beijing, Kunshan, Huzhou and Hainan, they will not compete with the Xi'an Project or other outlets-backed integrated property projects to be developed by the Enlarged Group as the projects are separated by geographical distance and locations in the PRC. Such outlets will be operated by project companies of BCL and managed by personnel of BCL Group independently of the Enlarged Group.

The Directors consider that the Target Cities and the non-Target Cities are separated in terms of geographical distance apart, modes of transport by air, rail or road and traveling time in between. Daily commutes, transportation, locations of retail customers and business clients and education are factors which generally deter individuals and businesses to readily relocate from one city to another. The Enlarged Group and BCL Group will operate exclusively in the Target Cities and the non-Target Cities respectively and as such, the Directors believe that the property development business of BCL Group will not pose competition to the Enlarged Group.

Overall, we are of the view that the selection process described above is a practicable approach and is fair and reasonable since we concur with the Directors that the Target Cities have good growth potential, and such cities were also selected on the basis that after the Completion, the business delineation as abovementioned can be effectively implemented. We also note that the selected Xi'an Project does not deviate from the aforesaid selection approach. Your attention is also drawn to the section headed "Relationship with the Controlling Shareholders" of the Circular.

11. The Non-Competition Deed

Given the substantial interest of BCL Group in the PRC property market, there will potentially be competition and conflicts of interest issues, and overlapping between the businesses of BCL Group and the Enlarged Group after the Completion. In particular, after the Completion, Get Thrive, an indirect wholly-owned subsidiary of BCL, will continue to hold controlling interests in the Enlarged Group.

In order to minimise direct competition between BCL Group and the Enlarged Group in the future, BCL and the Company intend to enter into the Non-Competition Deed. Details of the Non-Competition Deed can be found in the paragraph headed "Non-Competition Deed" in the section headed "Relationship with the Controlling Shareholders" of the Circular. Some of the key terms are generally described below:

(1) Non-competition undertaking by BCL not to compete in Target Cities

In order to achieve geographical segregation between the property development projects of BCL Group and the Enlarged Group as discussed in the paragraph headed "BCL's selection process of the business and Target Cities" in this letter, BCL has agreed to undertake in favour of the Company (for itself and on behalf of its subsidiaries) that conditional upon Completion and during the term of the Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall (other than through the Enlarged Group), directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any development, sale, lease and management of any property projects ("**Property Business**")in any of the Target Cities.

(2) Non-competition undertaking by the Company not to compete in non-Target Cities

In consideration of the non-competition undertaking by BCL under the Non-Competition Deed, the Company has agreed to undertake in the Non-Competition Deed in favour of BCL (for itself and on behalf of its subsidiaries) that conditional upon Completion and during the term of the Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any Property Business in any non-Target Cities in the PRC.

(3) Review of the Non-Competition Deed between the Enlarged Group and BCL Group

During the term of the Non-Competition Deed, the Company and BCL will review half-yearly or from time to time as considered to be required, the Company's and BCL's respective portfolio of property projects in the Target Cities and the non-Target Cities, respectively in the PRC and consult each other to determine if adjustments are required to be made to the geographical delineation between the Enlarged Group and the BCL Group.

The review will be carried out by the Company and BCL jointly during the term of the Non-Competition Deed. Any adjustments or amendments to the material terms of the Non-Competition Deed, including the change in the number and/or composition of the Target Cities and the rights of the Company and BCL in relation to the Property Business in the Target Cities and non-Target Cities respectively, will be subject to the approvals of the independent non-executive directors and independent shareholders of both the Company and BCL.

We are of the view that property and related businesses are generally localised in nature where potential buyers purchase, or potential tenants rent, a property for reasons which cannot be easily substituted by another property in another city. We are also of the view that overall, the PRC property market has been and is expected to continue to grow in the longer term. While the growth rate of each PRC city may vary, taking into account risk reward profile, we believe it is not practicable, if possible at all, to analyse and compare the merits and potential of the Target Cities and non-Target Cities. In summary, we are of the view that the Non-Competition Deed provides an equitable basis for the conduct of Property Businesses of the Enlarged Group and BCL Group going forward.

RECOMMENDATIONS

Having considered the above principal factors, we are of the view that (i) the Acquisition and the Subscription and the issue of the CPS is in the interests of the Company and the Shareholders as a whole, though the Acquisition and the Subscription and the issue of the CPS are not entered into in the ordinary and usual course of business of the Company; and (ii) the terms of the Acquisition Agreements and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Subscription and the issue of the CPS and the Specific Mandate.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of the Company. In particular, Altus Capital Limited has not acted as an independent financial adviser of the Company's other transactions in the last two years from the date of the Circular.

FORWARD-LOOKING STATEMENTS

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the 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 facts, including, without limitation, statements relating to:

- the Enlarged Group's operations and business prospects;
- the future developments, trends and conditions in the PRC property development sector;
- 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 PRC property development sector;
- prospective financial matters regarding the Enlarged Group's business, results of operations and financial condition;
- the development costs in relation to the Xi'an Project of the Target Group;
- the Target Group's continual review of its strategy regarding its real estate business in the PRC;
- the competitive market for property developers and the actions and developments of the Target Group's competitors in the PRC; and
- the general political and economic environment in the PRC.

FORWARD-LOOKING STATEMENTS

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, as they relate to the Group, the 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 or the Target Group (as the case may be) as at 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 market;
- the Enlarged Group's ability to successfully complete and realise benefits from its development projects;
- 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 performance of its independent contractors;
- 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;
- changes in the fair value of the Enlarged Group's investment properties;
- the Enlarged Group's ability to effectively manage its operational and project 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 materialise, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group, the 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 statements. Moreover, the forward-looking statements should not be regarded as representations by the Company that its plans and objectives will be achieved or realised.

The forward-looking statements in this circular reflect the views of the management of the Group as at 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.

RISK FACTORS

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 AND THE ISSUE OF THE CPS

Completion is subject to the fulfilment of conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition and the issue of the CPS will be completed as contemplated

A number of the conditions precedent to Completion as set out in the section headed "Letter from the Board" in this circular involve the decisions of third parties, including approvals by the Independent Shareholders at the EGM. As fulfilment of these conditions precedent are not within the control of the parties involved in the Acquisition and the issue of the CPS, there is no assurance that they can be fulfilled and/or the Acquisition and the issue of the CPS will be completed as contemplated.

The shareholding percentages of the existing Shareholders in the Company will be diluted following the conversion of the CPS into Conversion Shares, and any value enhancement of the Shares as a result of the Acquisition may not offset the dilutive effect to the existing Shareholders in the Company

Pursuant to the Acquisition Agreement, the Company will issue and allot the CPS in connection with the Subscription. In such a case, an aggregate of up to 738,130,482 new Shares will be issued upon conversion of the CPS into Conversion Shares, subject to the Company meeting the minimum public float requirement under the Listing Rules, which represent approximately 369.1% of the issued share capital of the Company as at the Latest Practicable Date and 78.7% of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares (assuming that all the CPS are converted into Conversion Shares). Please refer to the section headed "Letter from the Board – Effect of the Acquisition and the issue of the CPS on the shareholding structure of the Company" in this circular for further details of the shareholding structure of the Company immediately after the Completion.

As a result, the shareholding percentages of the existing Shareholders in the Company would be diluted when the CPS are converted into Conversion Shares, subject to the Company meeting the minimum public float requirement under the Listing Rules. Any value enhancement of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

The Enlarged Group may not be able to effectively implement its business strategies in respect of its outlets-backed integrated property projects and commercial property projects which may impact on the operational and financial performance and prospects of the Enlarged Group

Upon Completion, the Enlarged Group will become a listed platform for holding the outlets-backed integrated property projects and commercial property projects. The outlets-backed integrated property projects are designed with the aim of becoming the focal point of the surrounding urban area and developing into a scale capable of transforming and enhancing the value of the adjacent neighbourhood. Please refer to the sections headed "Business of the Target Group – Competitive Strengths" and "Business of the Target Group – Business Strategies" in this circular for further details of the Target Group's business strategies relating to the outlets-backed integrated property projects and commercial property projects.

The development of large scale outlets-backed integrated property projects and commercial property projects typically requires substantial capital investment during the land acquisition and construction phases, and, depending on the size of the development, the completion of outlets-backed integrated property projects and commercial property projects usually requires a number of years. Any change in the business environment during the development period of the property projects may affect the time and cost involved in the development, including the cost of financing and uncertainties as to market demand or a loss of interest from tenants or consumers during the development period which may also affect the profitability of the Enlarged Group.

There can be no assurance that any or all of the current or future outlets-backed integrated property projects and commercial property projects in which the Enlarged Group has an interest or plans to acquire will be completed within the anticipated timeframe or budget, or at all, whether as a result of the factors specified above or for any other reason. The Enlarged Group cannot assure you that these projects will generate profit or positive cash flows at the levels originally planned. The inability to complete a major development or project within the anticipated timeframe and budget, or an inability to find interested occupants or tenants at profitable sales prices or rental rates, could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group is dependent on the sale of properties, which in turn depends on a number of factors including the Enlarged Group's schedule of property development and the timing of property sales, which may impact on revenue recognition and cash flow and cause the results of operations of the Enlarged Group to fluctuate

Historically, a significant portion of the Target Group's revenue has been derived from the sale of properties. Accordingly, results of the Enlarged Group's operations may fluctuate due to factors such as the Enlarged Group's schedule of property development and timing of property sales.

The Enlarged Group will generally recognize revenue from the sale of a property upon the completion of property construction and delivery of the property to the buyer, at which point the significant risks and rewards of ownership are transferred to the buyer. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, the Enlarged Group can undertake only a limited number of property development projects at a time. In addition, since the timing of delivery of the properties varies according to construction timetables, the revenue and results of operations of the Enlarged Group may vary significantly from period to period depending on the number of properties delivered during a specific period. As a result, the period to period comparisons of the Enlarged Group's results of operations and cash flow positions may not be indicative of the Enlarged Group's future results of operations and may not be as meaningful measures of the financial performance of a specific period as they would be for a company with a greater proportion of steady recurring revenues.

Furthermore, the Enlarged Group's property development may be delayed or adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond the control of the Enlarged Group, which may in turn adversely affect the revenue recognition and consequently the cash flow and results of operations of the Enlarged Group.

Increases in construction and development costs may have an adverse impact on the Enlarged Group's results of operations

The Enlarged Group's ability to derive profits from its property projects depends on how well it can control the relevant construction and development costs. Construction costs in the PRC are generally increasing as contractors face rising materials and labour costs. To ensure that it obtains the best price from its contractors, the Target Group typically holds competitive tenders for its projects. However, the Target Group does not always award contracts to the contractor with the lowest tender price as there are a number of other factors which must be taken into account, including the contractor's relevant skills and expertise as well as the design and deadline demands of the relevant project.

There is no assurance that the Enlarged Group would be able to get the best prices from its contractors. Further, there is no assurance that the actual construction costs incurred for a project will not exceed the initial estimation of the Enlarged Group. If the costs of labour or construction materials increase significantly, and the Enlarged Group cannot offset such increase by reducing other costs or is unable to pass on such increase to the buyers or tenants of its properties, the Enlarged Group's business, results of operations and financial position may be materially and adversely affected.

The Enlarged Group may not always be able to obtain sites that are suitable for property development and acquire sufficient land reserves at reasonable cost which may restrict and impact on its expansion, business and financial performance

To maintain its business growth strategy, the Enlarged Group will need to acquire suitable development sites in second-tier cities to replenish its land reserves. The Enlarged Group's ability to identify and acquire suitable sites is subject to a number of factors, some of which are beyond its control. The PRC government controls all new land supply in the PRC and regulates land transfer in the secondary market. Please refer to the section headed "Regulatory Overview – Land for Real Estate Development" set out in Appendix II to this circular for further details of the relevant PRC laws and regulations. As a result, the policies of the PRC government relating to land supply may adversely affect the ability of the Enlarged Group to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition. There is no assurance that the PRC government policies, regulations and measures, including those intended to discourage speculation in the real property market, will not adversely affect its business.

The business, financial condition and results of operations of the Enlarged Group may be adversely affected if it is unable to obtain suitable land sites or acquire land sites for development at prices that allow the Enlarged Group to achieve reasonable returns upon the sale or lease of developed properties to its customers.

The appraised value of the properties in the valuation report may be different from the actual realisable value and is subject to change

The valuations of the Target Group's properties contained in the property valuation report set out in Appendix VI to this circular, are prepared based on various valuation methodologies, bases and assumptions with reference to different property categorisations, natures, types, usages and development status. Please refer to the section headed "Property Valuation of the Target Group – Portfolio Valuation" set out in Appendix VI to this circular for further details of the valuation methodologies adopted by the independent property valuer.

Furthermore, the valuations of the Target Group's properties are based upon certain assumptions, which, by their nature, are subjective and uncertain, and may not be realised. Unless otherwise stated in this circular, such assumptions include:

- transferable land use rights in respect of the properties for respective specific terms at nominal land use fees have been granted, and land grant premium payables in respect of the relevant properties have been paid;
- the exclusion of an estimated price inflated or deflated by special terms or circumstances, such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by any party associated with the sale or any other element of special value;
- no allowance being made for any charges, mortgages, amounts owing on the properties, expenses or taxation which may be incurred in effecting a sale;
- the Target Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use terms as granted;
- the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values; and
- the properties will be completed or developed as currently planned.

Further, unforeseen changes to property development projects as well as national and local economic conditions may affect the value of the Target Group's properties. In particular, the fair value of these properties could remain stable or decrease in the event that the market for comparable properties experiences a downturn in the PRC, for example, as a result of the adoption and application of PRC government policies aimed at "cooling-off" the PRC property market or as a result of any global market fluctuations or economic downturn, or otherwise.

These valuations are not predictions of the actual value of the properties of the Target Group, as the case may be, and may deviate from values that could be realised in a public market transaction as of the date of valuation. Therefore, the appraised value of the properties may be different from their actual realisable value or a forecast of their realisable value.

Third party contractors may not always meet quality standards or provide services in a timely manner which may adversely impact on the development progress, sales and leasing of the Enlarged Group

The Target Group generally engages external architectural and design firms, construction contractors, real estate agents, property management companies and suppliers to provide it with design and interior decoration, construction, sales, leasing, property management, and related services, which the Target Group monitors through its project, design, finance and sales departments.

There is no assurance that the services rendered or materials supplied by any of these external contractors and suppliers will always be satisfactory or meet the quality requirements of the Enlarged Group. In the event that the performance of the external contractors, suppliers and service providers falls short of the required standard, or the external contractors encounter financial, operational or managerial difficulties or disputes, the construction progress, sales, leasing or operation of the Enlarged Group's property developments may be disrupted or delayed. The Enlarged Group may incur additional costs in respect of remedial action, such as the replacement of such contractors or suppliers, as well as potential damage to reputation and additional financial losses as a result of delay in completion. Any of the above factors could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

The Enlarged Group's business and financial results could be materially and adversely affected by its indebtedness

The Target Group maintains a certain level of indebtedness, which is secured by some of its properties and time deposits. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's current and non-current bank borrowings amounted to RMB380.0 million, RMB180.0 million, RMB480.0 million and RMB610.0 million, respectively. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying amount of guarantees in respect of mortgages for customers of the Target Group was RMB737.9 million, 698.8 million, RMB1,080.3 million and RMB1,243.2 million, respectively. In addition, of the Target Group's total bank borrowings of RMB610.0 million as of 31 July 2014 (being the latest practicable date for the purpose of determining indebtedness), RMB547.5 million was due within a period not exceeding one year. Please refer to the section headed "Financial Information of the Target Group – Indebtedness and Contingent Liabilities" in this circular for further details of the Target Group's indebtedness position as at 31 July 2014.

The property development business is capital intensive, and typically requires substantial capital contribution for land acquisition and property development. The Target Group had capital commitments in an amount of RMB181.6 million, RMB295.8 million, RMB791.0 million and RMB702.5 million, respectively, as at 31 December 2011, 2012 and 2013 and 30 June 2014.

Please refer to the section headed "Financial Information of the Target Group – Commitments and Capital Expenditures" in this circular for further details of the Target Group's capital commitment and cash flow positions.

The Enlarged Group's ability to repay the principal and interest on its borrowings and to service its capital commitments and current and non-current liabilities depends substantially on the cash flow and results of operations of its operating subsidiaries, which depend in part upon the social, political, economic, legal and other risks described herein, most of which are beyond its control. There is no assurance that the Enlarged Group will be able to achieve or maintain a net cash inflow from its operating activities in a sufficient amount or at all in the future. Any decline or under-performance of the Enlarged Group's pre-sale, sale or leasing activities and any other matter adversely impacting the net cash inflow of the Enlarged Group could significantly affect its cash flow position. There can be no assurance that the Enlarged Group will always be able to raise the necessary funding to finance its current liabilities and capital commitments.

The Target Group had borrowings and advances from financial institutions and the Enlarged Group's financing costs may increase due to increases in interest rates which may impact on the results of operations and financial condition of the Enlarged Group

Property development is capital intensive. During the Track Record Period, the Target Group financed its property projects through borrowings and advances from, *inter alia*, bank loans and internal cash flows. Please refer to the sections headed "Business of the Target Group – Project development process – Project financing", "Financial Information of the Target Group – Liquidity and Capital Resources – Indebtedness and Contingent Liabilities – Bank loans" and "Financial Information of the Target Group – Indebtedness and Contingent Liabilities – Statement of indebtedness" in this circular for further details.

There is no assurance that the Enlarged Group will be able to obtain bank loans or renew existing credit facilities in the future on acceptable terms or at all. The Enlarged Group's ability to do so will depend on a number of factors, many of which are beyond its control. For instance, the PRC property market has experienced significant volatility in recent years as a result of the recent deterioration in the PRC's economic growth and credit environment. Similarly, the global economic and financial crisis has reduced the general demand for properties, including those in the PRC, and as a consequence the banks and other financial institutions have become less willing to make credit available to companies in the property development industry. The terms of certain facilities and other loans of the Target Group also contain covenants which could restrict the Enlarged Group's ability to obtain new borrowings. The Target Group may be required to seek the lending bank's approval or repay the relevant outstanding loan before it can obtain new borrowings that would result in certain financial ratios exceeding the agreed thresholds. If the Enlarged Group is not able to raise new financing or refinance its existing borrowings at maturity on commercially acceptable terms or at all, its liquidity will be adversely affected and, as a result, its results of operations, financial condition and business prospects may be adversely affected.

In addition, the PRC government had in the past implemented a number of policy initiatives in the financial sector to further tighten lending requirements both generally and specifically in relation to property developers. Please refer to the section headed "Regulatory Overview – Real Estate Loans" set out in Appendix II to this circular for further details of the PRC laws and regulations. There is no assurance that the PRC government will not introduce further initiatives which may limit the Enlarged Group's access to bank financing. The foregoing and other initiatives introduced by the PRC government may limit the Enlarged Group's flexibility and ability to use bank loans or other forms of financing to fund its land acquisitions or property developments and therefore may require the Enlarged Group to rely on internally sourced funds or equity financing.

In addition, any increase in interest rates on the Enlarged Group's bank borrowings, including an increase in interest rates by the PBOC, may have a material adverse effect on its financial condition and results of operations. Please refer to the section headed "Financial Information of the Target Group – Quantitative and qualitative disclosures about market risks – Market risks – Interest rate risk" in this circular for further details.

The level of the Enlarged Group's indebtedness could also have an adverse effect on its operations. For instance, it may have to dedicate a large portion of its cash flow from operations to fund repayments of its debts, thereby reducing the availability of its cash flow to expand its business and limiting its flexibility in planning for, or reacting to, changes in its business or economic conditions. Any of the above factors and circumstances will adversely affect the Enlarged Group's business and results of operations.

The Enlarged Group may be exposed to certain risks that are not covered by its insurance and any resultant loss may affect the Enlarged Group's operations, financial condition and prospects

The Enlarged Group will maintain insurance policies where practicable covering both its assets and employees in line with general practice in the real estate industry, with policy specifications and insured limits which it believes are reasonable. However, in certain cases it may be difficult to obtain adequate insurance coverage at all or at commercially acceptable rates. Certain types of losses, such as those resulting from wars, earthquakes or other acts of God, are generally not insured as a matter of industry practice. Please refer to the section headed "Business of the Target Group – Insurance" in this circular for further information.

There is no assurance that adequate insurance coverage against risks of the Enlarged Group's projects and income-generating properties will be available in the future on commercially reasonable terms or at commercially competitive rates. Should an uninsured loss or a loss in excess of insured limits occur or should the Enlarged Group's insurers fail to fulfill their obligations in relation to the sum insured, the Enlarged Group could suffer loss, including loss of rent or future revenue, and/or may be required to pay compensation to third parties. The Enlarged

Group may also be liable for any debt or other financial obligation related to the relevant property or to third parties. Any such loss could adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group may not be able to obtain land use right certificates or building ownership certificates for properties to be developed in the future and the Enlarged Group may face interruptions in its operations and/or third party claims, which may adversely impact on its results of operations and financial condition

In addition to the existing land, buildings and properties owned by the Target Group, there can be no assurance that the land and/or building administrative authorities in the PRC will grant the Enlarged Group appropriate land use rights or building ownership certificates in respect of projects to be developed in the future in a timely manner, or at all. If the Enlarged Group cannot obtain land use rights certificates or building ownership certificates for its development projects, it may not be able to sell or lease the portions of the project or the relevant building or property, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group may face delay in completing its property development projects which may cause reputational damage and impact on the business, financial condition and results of operations of the Enlarged Group

Property development projects require substantial capital expenditure prior to completion and typically require a substantial amount of time to complete. The progress of a development project can be adversely affected by many factors, including, but not limited to:

- changes in market conditions;
- delays or inability to obtain necessary governmental and regulatory licences, permits, approvals and authorisations for its projects;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- relocation of existing residents and/or demolishment of existing structures;
- increases in the prices of raw materials;
- shortages of construction and building materials, equipment, contractors or skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographical problems;

- labour disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- other unforeseen problems or circumstances.

The Xi'an Project under development may also be subject to construction risks which include, among others, default by contractors or other third party providers of their obligations or financial difficulties faced by such persons, all of which will cause a delay in construction.

Any delay in progress of a development project will lead to increased construction costs. Further, if a pre-sold property development is not completed on time, the purchaser or lessee may be entitled to compensation for late delivery. There is no assurance that the Enlarged Group will not experience any delays in completion, delivery or operation or that it will not be exposed to liability or revenue shortfalls for any such delays in the future. Any delay in completion or failure to complete a project according to the specifications, schedule or budget may affect the business, financial condition and results of operations of the Enlarged Group and may also cause reputational damage.

The Enlarged Group will be partly dependent on rental income from its investment property portfolio in the future and any decline in rental rates and the value of its investment properties may adversely affect the Enlarged Group's results of operations, financial conditions and prospects

A portion of the Enlarged Group's property portfolio, including all outlet shops in Xi'an First City and other outlets-backed integrated property projects in the future, will comprise investment properties for leasing and the Enlarged Group will partly rely on rental income from these investment properties for operational expenses and property development. This renders the Enlarged Group highly sensitive to property market downturns, natural disasters and other unfavourable events or conditions in the PRC, especially in the retail sector. The Enlarged Group's revenue derived from leasing of its completed investment properties and the value of its property investments may be adversely affected by a number of factors, including changes in tenants' demand and preferences, the average market rents in the respective cities, the sales revenue of the tenants, the locations of its investment properties and its ability to collect rent on time. The Enlarged Group will also have to incur costs in relation to maintenance, repair and re-letting, which may fluctuate substantially, in order to maintain the attractiveness of the properties held for investment.

The Enlarged Group cannot assure you that its planned investment properties will be successful in the future. If the market rents in Xi'an or other cities in which the Enlarged Group operates in the future decline as a result of changes in investor sentiment, government policies, population levels or any other cause, rental rates and the value of the Enlarged Group's investment properties may be materially and adversely affected. If there is any downturn in the retail, financial or other industries in which the Enlarged Group's existing or potential tenants are engaged, or deterioration in general commercial and economic conditions in the abovementioned cities and regions, demand for the Enlarged Group's properties may be materially and adversely affected. If the Enlarged Group's property leasing business is unable to generate adequate returns, its business, financial condition, results of operations and prospects may be adversely affected.

The Enlarged Group may not be able to attract and retain quality tenants ahead of its competitors which may impact on the attractiveness of its projects and in turn affect its reputation, results of operations and financial performance

The outlet shops and other commercial properties of the Enlarged Group will compete for tenants with a number of other commercial properties in the surrounding areas on the basis of a wide range of factors, including location, design, construction quality and management, rent levels and other lease terms. The Enlarged Group will rely on securing long-term partnerships with domestic and international brand-names to maintain the quality and attractiveness of its projects, in particular, its outlets-backed integrated property projects.

The Enlarged Group cannot assure you that its prospective tenants will not lease properties from its competitors. As a result, the Enlarged Group may lose tenants to its competitors, resulting in difficulty in renewing leases or in finding new tenants. An increase in the number of competing properties, particularly those in close proximity to the Enlarged Group's properties, could increase competition for tenants, reduce the relative attractiveness of the Enlarged Group's properties and force it to reduce its rental rates or incur additional costs in order to enhance its competitiveness. If the Enlarged Group is not able to compete effectively for commercial tenants with other property developers or operators, the occupancy rates of its properties and/or projects may decline. If the Enlarged Group fails to continue to attract brand-name retailers as its tenants, the attractiveness and competitiveness of its projects may be adversely affected. This in turn could have a material adverse effect on the Enlarged Group's business, reputation, results of operations and financial position.

The Enlarged Group may rely on third-party sub-contractors to perform certain property and hotel management services in relation to the operating and management of outlets-backed property projects and commercial property projects which may affect its business, results of operations and financial conditions of the Enlarged Group

The Enlarged Group may outsource certain property management services (including cleaning, gardening, repair and maintenance services) and hotel management services to third-party sub-contractors, to manage the day-to-day operations in respect of the hotel to be constructed in Phase 5A of the Xi'an Project and some of its outlets-backed property projects and commercial property projects in the future.

The Enlarged Group may not be able to effectively monitor services of third-party sub-contractors as directly and efficiently as with its own services. They may be unable to fulfill their obligations effectively or take actions contrary to the Enlarged Group's instructions or requests. Furthermore, any interruption to the third-party sub-contractors' work process, for example any disruption of supply of qualified manual labour or in the event of labour disputes may potentially adversely affect the reputation, as well as the business, financial position and results of operations of the Enlarged Group.

The Company will continue to be controlled by BCL, whose interests may differ from that of the other Shareholders of the Company and BCL may take actions which favour itself more than the Enlarged Group or the other Shareholders of the Company

Upon Completion, BCL, through its wholly-owned subsidiary, Get Thrive, will be interested in 65.1% of the issued share capital of the Company and will continue to be the controlling shareholder of the Company.

Apart from its interest in the Enlarged Group, BCL will, after Completion, continue to be engaged through its subsidiaries in other property development businesses, which include residential property projects, urban commercial complexes projects and other outlets-backed integrated property projects. As at 30 June 2014, BCL had 52 property development projects located in various cities in the PRC which are non-Target Cities.

As BCL is able to exercise control or influence over the Enlarged Group's business on matters of significance to the Company, the interests of BCL may not be the same as, and may even conflict with, those of the Company's other Shareholders. BCL may take actions, including exercising its influence over the Enlarged Group as a controlling shareholder, that favour BCL more than the Enlarged Group or its other Shareholders. In addition, as Directors may serve concurrently as officers of BCL or its subsidiaries, there may be an appearance of potential conflict of interest. Please refer to the section headed "Relationship with Controlling Shareholders – Independence from the BCL Group – (a) Management independence" in this circular for further details of the over-lapping Directors with the BCL Group.

The Enlarged Group may not be able to pursue the intended use of civil defence properties if the same are used by the PRC government and may suffer a loss of income as a result

According to Law of the People's Republic of China on National Defence (《中華人民共和國國防法》), Civil Air Defence 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》), Measures of the Development and Utilization of Civil Air Defence Construction during Peacetime (《人民防空工程平時開發利用管理法》), Several Opinions regarding Further Advancing the Development of Civil Air Defence by the State Council and the Central Military Commission (《國務院、中央軍委關於進一步推進人民防空事業發展的若干意見》), the construction of new buildings in cities should contain certain basement areas which may be used for civil defence purposes in time of war. As of 30 June 2014, a GFA of 40,679 sq.m under development in Phase 7 of Xi'an First City is civil defence areas, the design planning proposal of which have been approved by the civil defence authorities of the PRC government. In addition, subject to the obtaining of design planning approval, a planned GFA of 12,764 sq.m. will also be constructed in Phase 5A of Xi'an First City as civil defence areas based on the latest development plan of the Target Group as at 30 June 2014.

The civil defence areas are not individually stated in the Target Group's financial statements and their carrying amount is nil. Such civil defence areas are, subject to obtaining the permit for use of civil defence areas in peace time (人防工程平時使用証) upon completion of construction, intended to be held as properties for leasing and used primarily as car parking spaces by the Enlarged Group in peace time. Under the Civil Air Defence Law, in times of peace, such areas can be used (including lease) and managed by entities or persons investing in their construction and any revenue generated from the use of such areas belongs to such investors. However, in times of war, such areas may be used by the PRC government at no cost. If the civil defence areas of the Enlarged Group are used by the PRC government in the event of war, the Enlarged Group may not be able to pursue the intended use and such areas will no longer be a source of income for the Enlarged Group. Furthermore, in respect of Phase 5A, the GFA of civil defence areas to be developed as approved by the civil defence authorities may be greater than the GFA currently planned and as such, in the event of war, the Enlarged Group may not be able to pursue the intended use or generate income from such civil defence areas.

The Enlarged Group's actual development costs may deviate from initial estimations due to fluctuations in cost of construction materials or cost of labour, which could in turn have a material adverse effect on its business, results of operations and financial condition

The Enlarged Group estimate the relevant total development costs which comprise, among other things, land premium, construction and other development costs, capitalised borrowing costs, at the beginning of a property development project. It will also monitor the progress of development works to ensure minimal deviation from the pre-approved budgets. However, development costs are subject to numerous factors which may be beyond the Enlarged Group's control. The Enlarged Group will procure the main construction materials through external

contractors. If the price of construction materials increases beyond the agreed pre-determined percentage, it may be required to reimburse the contractors by way of fee adjustments. If there is a material increase in the costs of construction materials and the Enlarged Group cannot pass such increase to its customers, its business, financial conditions and results of operations may be materially and adversely affected. Please refer to the section headed "Business of the Target Group – Project development process – Construction – Construction contracts" and "Financial Information – Factors affecting the Target Group's results of operations – Cost of property development" for further details.

Construction costs may also be affected by rising labour costs in the PRC in recent years, and the Enlarged Group expects labour costs in the PRC to continue to increase in the future. Furthermore, the PRC property market is significantly affected by the policy and regulatory measures introduced by the PRC government from time to time which may affect various aspects of the Enlarged Group's property development operations, including costs of financing as well as the schedule of development of property projects, which in turn may result in deviation from the initial estimated development costs.

If the actual development costs of the Enlarged Group's projects deviate materially from initial estimation, its business, results of operations and financial condition may be materially and adversely affected.

The Enlarged Group may be subject to resettlement compensation payable with respect to land it acquires in the future which may in turn impact on the cash flow, results of operations and financial condition of the Enlarged Group

In accordance with the Regulation on the Expropriation and Compensation of Buildings on State-owned Land (《國有土地上房屋徵收與補償條例》), the relevant government authority at city or country level in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development to provide compensation for their relocation and resettlement. The compensation payable is calculated in accordance with pre-set formulae determined by the relevant provincial or municipal authorities and is ultimately borne by the property developers. Please refer to the section headed "Regulatory Overview – Demolition and relocation" set out in Appendix II to this circular for further details.

There was no need for the Target Group to carry out demolition of existing buildings or relocate and resettle any owners or residents on the land which the Xi'an Project is situated on. If however, any of the land parcels the Enlarged Group acquires in the future in respect of its future development projects has existing building structures or is occupied by third parties, the Enlarged Group may be responsible for paying resettlement costs prior to developing the land. There is no assurance that these authorities will not change their compensation formulae. If they do, land acquisition costs may increase substantially which could adversely affect the Enlarged Group's financial condition. In addition, if the Enlarged Group or the local government fails to reach an agreement over compensation with the owners or residents, the housing resettlement authority will

request the municipal or county government that makes the housing expropriation decision to make a compensation decision in accordance with the resettlement plan, and this may delay the development schedule of the Enlarged Group's future projects or result in higher compensation costs than originally anticipated. Such delays may lead to an increase in costs and a delay in the expected cash inflow from the pre-sale of the relevant projects, which may in turn materially and adversely affect the Enlarged Group's business, results of operations and financial condition.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

The Enlarged Group is principally dependent on the performance of the real estate markets in the PRC, and the recent deterioration of the PRC's economic growth and the global financial crisis may affect the Enlarged Group's business

As all of its projects and property developments is or will be located in the PRC, the Enlarged Group's property development business will be significantly affected by the state of the PRC real estate market.

The PRC property market has experienced significant volatility in recent years as a result of market conditions and fluctuations in property sales volumes and prices, especially as a result of the recent deterioration in the PRC's economic growth and the PRC credit environment and the global economic and financial crisis, which have reduced the general demand for the properties sold in the PRC. In particular, during an economic downturn or market slowdown, purchasers or potential purchasers of property tend to become more prudent and may even reverse or defer their decisions to purchase property.

The Enlarged Group will also going forward, generate a portion of its revenue from its leasing of commercial properties in the PRC, the demand for which is often affected by volatility in market conditions and fluctuation in property prices. If the Enlarged Group does not respond to changes in market conditions and tenants' preferences in a timely and adequate manner, its business, financial condition and results of operations may be materially and adversely affected.

Furthermore, the PRC government may from time to time revise its fiscal and monetary policies to adjust the growth rate of the PRC national and local economies, and such policy changes may affect the real estate market in the relevant regions. There can be no assurance that the Enlarged Group's property development or its sales, leasing and management activities will be maintained at the levels the Target Group had achieved during the Track Record Period.

The Enlarged Group faces intense competition from other real estate developers and outlets and commercial property operators which may adversely affect the Enlarged Group's business, results of operations and financial condition

In recent years, a large number of property developers, outlets and commercial property operators, including a number of leading PRC and other overseas developers, have begun undertaking property development and operation, and investment projects primarily in the first

and second-tier cities in the PRC. Some of these developers may have better track records, greater financial, land and other resources, wider brand recognition and greater economies of scale than the Enlarged Group. In the past, the PRC government has introduced various policies and measures in order to limit excessive growth and to curb speculation in the property development sector, which has further increased competition for land among property developers. Please refer to the section headed "Regulatory Overview" set out in Appendix II to this circular for further details of the PRC legal and regulatory provisions relating to the Enlarged Group's operations and business.

Competition among property developers may result in an increase in land acquisition costs and construction costs, an oversupply of properties, a decrease in rental and property prices in certain regions of the PRC, an inability to lease or sell such properties, a slowdown in the rate at which new property developments are reviewed or approved by the relevant PRC government authorities and an increase in administrative costs of hiring or retaining qualified personnel. In particular, competitors of the Enlarged Group may reduce the prices of their properties as a result of the prevailing economic or market conditions, which could result in increased pricing pressure on the Enlarged Group and further restrict the Enlarged Group's ability to generate revenue. Any of the above factors may adversely affect the Enlarged Group's business, financial position and results of operations.

The Enlarged Group's business is subject to extensive PRC government policies, regulations and measures intended to discourage property speculation which may adversely affect the business of the Enlarged Group

The Enlarged Group is subject to extensive government regulation in most aspects of its operations and is highly susceptible to changes in the regulatory environment in the PRC. Please refer to the section headed "Regulatory Overview" set out in Appendix II to this circular for further details of the PRC legal and regulatory provisions relating to the Enlarged Group's operations and business. If the Enlarged Group fails to comply with the relevant laws and regulations, it could be subject to various regulatory or administrative penalties which could have a material adverse impact on the Enlarged Group's business, results of operations and financial condition.

In the past, the PRC government has introduced several policies and measures intended to discourage speculation in the property market. These measures include, among other things, the following:

- tightening lending requirements for property developers;
- for commercial property buyers, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property; (iii) increasing the minimum mortgage

loan interest rate to 110% of the relevant PBOC benchmark lending interest rate; and (iv) limiting the terms of such bank loans to no more than ten years, although commercial banks are allowed flexibility based on their risk assessment;

- for buyers of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property;
- imposing a limitation on onward transfer of uncompleted properties;
- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and cancellation of the land use rights for land left idle for two years or more;
- revoking approvals for projects which do not comply with planning permits;
- for residential property buyers (i) increasing the minimum amount of down payment of the purchase price of the residential property; (ii) increasing the minimum mortgage loan interest rate with respect to the relevant PBOC benchmark lending interest rate for second home buyers using mortgage loans; and (iii) declining loans for the purchase of (a) a third or subsequent residence and (b) local residences by non-local residents who are unable to provide certificates evidencing their payment of local taxes or social insurance for more than one year, which may make the Enlarged Group's properties less affordable to its customers;
- adopting the "70/90 rule" which requires at least 70% of the total GFA of residential units which are newly approved and constructed annually in each city or county town on or after 1 June 2006 to consist of units with a GFA of less than 90 sq.m. per unit;
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years;
- imposing 20% capital gain tax for the gain from sale of self-owned property; and
- tightening control over commercial banks' loans to property developers in order to prevent these banks from granting excessive credit.

There can be no assurance that restrictive government policies and measures will not adversely affect the sale of units in the Enlarged Group's developments. In addition, there can be no assurance that the PRC government will not introduce further policies and measures to regulate the rate of growth of the property market or to limit or even prohibit foreign investment in the PRC generally or in the property sector in particular. These existing policies and measures and any future policies and measures, or even rumours or threats of any new policies and measures could adversely affect the Enlarged Group's business, results of operations and financial condition, such as by limiting the Enlarged Group's access to capital, reducing consumer demand

for the Enlarged Group's properties and increasing operating costs. This may also lead to changes in market conditions, including price instability and imbalance between supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially adversely affect the Enlarged Group's business, financial condition and results of operations. The Enlarged Group cannot assure you that the PRC property market and prices will continue to grow at past levels or will not decline. Any potential decline in demand for properties, property sales or property prices in the PRC could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

The Enlarged Group's business may be adversely affected if it fails to obtain the relevant PRC governmental approvals for its development projects in a timely manner

In developing and completing a property development in the PRC, the Enlarged Group is required to obtain various permits, licences, certificates and other approvals including the land use rights certificate, construction land planning permit, construction works planning permit, construction works commencement permit, pre-sale permit and completion filing from the relevant administrative authorities at various stages of the development of the property project. Each of such permits, licences, certificates and approvals is dependent on the satisfaction of certain conditions. For example, the conditions to obtaining a land use rights certificate include, among other things, the relevant project company having executed the land use rights grant contract with the relevant authorities under which the land use rights are obtained by grant and the land grant premium having been settled in full.

It cannot be assured that all necessary certificates and permits for the Enlarged Group's projects will be obtained in a timely manner or at all, or that the Enlarged Group will not encounter problems in fulfilling any or all of the conditions imposed in respect of the grant of the necessary certificates or permits, or that it will be able to expeditiously adapt to new laws, regulations or policies that may come into effect from time to time with respect to the grant of such certificates or permits. There may also be significant delays in the granting of such certificates or permits by the relevant PRC administrative bodies. If the Enlarged Group fails to obtain, or is considered by the relevant governmental authorities to have failed to obtain, or experiences significant delays in obtaining, the requisite governmental certificates, permits or other approvals, penalties could be levied on it and its schedule for property development could be significantly disrupted. This could materially and adversely affect the business, results of operations and financial condition of the Enlarged Group.

The Enlarged Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result

As with other property developers, the Target Company is occasionally subject to legal or arbitration proceedings in its ordinary course of business as a property developer in the PRC. In the event of an unfavourable ruling in these proceedings, the Enlarged Group may be liable for a substantial amount of damages, suffer loss of revenue or face other potential adverse

consequences. It is also possible that the Target Company may be ordered to stop the development, leasing or sale of a particular project. In such cases, the Enlarged Group would not be able to recover any costs or expenses already incurred in relation to such project, and will lose revenue from the leasing or sale of such project.

In addition, any involvement in disputes would result in a diversion of resources and management's attention, regardless of their outcome. Further, the Enlarged Group may have disagreements with the PRC regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decisions that result in penalties and/or delay in its property development schedule. If any such event occurs, the business, financial condition and results of operations of the Enlarged Group could be materially and adversely affected.

The Enlarged Group may not be able to continue its property development business if it fails to obtain, renew or maintain qualification certificates

Property developers must obtain a qualification certificate in order to carry out property development in the PRC. According to the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》), newly established property developers must first apply for a provisional qualification certificate, which is valid for one year and can be renewed for a maximum of two additional years. A property developer is required to obtain a formal qualification certificate with an approved class before its provisional qualification certificate expires. These certificates are subject to inspection on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates.

The Target Company is responsible for the annual submission of its renewal application and can only engage in property development within its qualification certificate class. If the Target Company is unable to meet the relevant qualification requirements, it will generally be given a grace period to rectify any non-compliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to rectify the non-compliance within the grace period could result in the revocation of the qualification certificate and the business licence of the Target Company.

If the Target Company fails to renew its relevant qualification certificate, the business, prospects, results of operations and financial condition of the Enlarged Group may be materially and adversely affected.

The Enlarged Group may face potential liability for environmental problems which could result in substantial costs and adversely impact on its results of operations and financial condition

The Enlarged Group is subject to a number of laws and regulations concerning environmental protection. The environmental laws and regulations that apply to any given project development site vary greatly according to the site's location, environmental condition and present

and former uses, as well as the adjoining properties. Compliance or non-compliance with environmental laws and regulations may result in delays and/or the incurring of substantial costs and can severely restrict project development activities in environmentally sensitive areas.

As required by PRC laws and regulations, the Target Group has engaged independent environmental experts to conduct environmental impact assessments on its development projects. However, the environmental impact assessments conducted may not reveal all potential violations of environmental laws or regulations or their full magnitude and there may be material environmental liabilities of which the Target Group is unaware. The Enlarged Group cannot assure you that its policies and procedures will be effective in preventing non-compliance with environmental laws and regulations. If any part of any of its development projects is found to be non-compliant with certain environmental laws or regulations, the Enlarged Group may be subject to suspension of operations or a part of its operations as well as fines and other penalties, which may materially and adversely affect its business, financial condition and results of operations.

The Enlarged Group may be subject to stricter payment terms for land use rights with respect to land it acquires in the future as a result of any additional restrictive regulations promulgated in the PRC which may in turn affect cash flow position and business plans of the Enlarged Group

On 21 September 2007, the Ministry of Land and Resources amended the Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Putting up for Bidding (《招標拍賣掛牌出讓國有建設用地使用權規定》), with effect from 1 November 2007. These regulations provide, among other things, that property developers will have to pay the relevant land grant fees in full under the relevant land use rights grant contract for all land parcels under the contract prior to receiving the land registration and land use rights certificates. Please refer to the section headed "Regulatory Overview – Land for real estate development" set out in Appendix II to this circular for further details.

As a result, with effect from 1 November 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use rights certificate in order to commence development, which had been the practice in many Chinese cities. On 18 November 2009, five government authorities, including the Ministry of Finance and the Ministry of Land and Resources, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加強土地出讓收支管理的通知》) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the balance in instalments within one year. On 8 March 2010, the Ministry of Land and Resources issued the Notice of the Ministry of Land and Resources on Issues relating to the Strengthening of the Supply and Supervision of Land for Property Development Purposes (《國土資源部關於加強房地產用地供應和監管有關問題的通知》), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land use rights grant contract within ten

business days after the land use rights transfer deal is concluded. All property developers who have defaulted on a land grant fee payment, left land idle and unused, engaged in speculation, or otherwise defaulted on a land use rights grant contract are prohibited from acquiring land for a certain period.

As a result, property developers, including the Enlarged Group, are required to maintain a higher level of working capital and hence face restrictions when planning to expand their land reserves. In addition, there is no assurance that the PRC government will not adopt any additional regulations imposing stricter payment terms for land acquisition by property developers. If this occurs, the Enlarged Group's cash flow position, financial condition or business plans could be materially and adversely affected.

Changes in laws and regulations with respect to pre-sale of properties may adversely affect cash flow position and performance of the Enlarged Group

The Enlarged Group relies on the pre-sale of properties as an important source of funding for its property projects. Under the current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. Please refer to the section headed "Regulatory Overview – Real estate transaction – Sale of commodity properties – Pre-sale permit of commodity properties" set out in Appendix II to this circular for further details.

In August 2005, a report entitled "2004 Real Estate Financing Report" issued by the PBOC recommended discontinuing the practice of pre-selling unfinished properties because such practices, in its opinion, have a tendency to create significant market risks and generate transactional irregularities. Although such recommendations have not been adopted by the PRC government, there can be no assurance that the PRC government will not adopt similar recommendations in the future and ban the practice of pre-selling unfinished properties or implement further restrictions on the pre-sale practice, such as imposing additional conditions for obtaining a pre-sale permit or imposing further restrictions on the use of pre-sale proceeds. Any such measures will adversely affect the Enlarged Group's cash flow position and force it to seek alternative sources of funding for its property development business.

The Enlarged Group guarantees the mortgages of its customers and may be liable to the mortgagees in the events of defaults by customers on mortgage payments and the Enlarged Group's business, results of operations and financial condition may be adversely affected

In line with market practice in the PRC, the Target Company has arrangements with various banks for the provision of mortgage facilities to its customers and where required by the banks, provides guarantees in favour of the banks in respect of the mortgage facilities granted by them to the customers.

According to the terms of the guarantees, the Target Company as a guarantor is liable for repaying the mortgage principals together with interests and penalties to the mortgagee banks in the events of defaults by the customers.

The obligations of the Target Company under the guarantees are usually released upon the relevant building ownership certificates having been obtained and delivered to the mortgagee banks, or the settlement of mortgage loans between the mortgagees and the customers of the Target Company. In line with industry practice, the Target Company does not conduct independent credit checks on the customers but rely instead on the credit checks conducted by the mortgagee banks. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the outstanding guarantees in respect of mortgages for customers of the Target Company amounts to RMB737.9 million, RMB698.8 million, RMB1,080.3 millon and RMB1,243.2 million, respectively.

If material default occurs and the relevant guarantees provided by the Target Company are called upon, the business, results of operations and financial condition of the Enlarged Group may be adversely affected. Please see the sections headed "Business of the Target Group – Project Development Process – Completion and delivery – Customer payment arrangements" and "Financial Information – Indebtedness and Contingent Liabilities – Contingent liabilities" for further details.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

As all of the Enlarged Group's operations are or will be conducted in the PRC, any adverse change in China's political, economic and social conditions may have a material adverse effect on the Enlarged Group

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been in transition from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a significant role in regulating industries by imposing industrial

policies. Furthermore, despite the implementation of such reforms, it is uncertain whether changes in the PRC's political and social conditions, laws, regulations, policies and diplomatic relationships with other countries will have any adverse effect on the current or future business, results of operations or financial condition of the Enlarged Group.

There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations which could adversely affect the Enlarged Group

All of the Enlarged Group's operations are conducted in the PRC and are therefore subject to PRC laws and regulations. Since the late 1970s, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite these significant developments, the PRC does not have a comprehensive system of laws. Even where adequate laws exist in the PRC, the enforcement of such laws may be uncertain, and it may be difficult to obtain swift and effective enforcement, or to obtain enforcement of a judgment of a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

The relevant PRC tax authorities may enforce the payment of land appreciation tax (LAT) and may challenge the basis on which the Target Group calculates its respective LAT obligations which may in turn adversely affect the cash flow and financial position of the Enlarged Group

Under the PRC tax laws and regulations, properties developed for transfer are subject to land appreciation tax ("LAT"), which is payable to the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Pursuant to the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》), the sale of ordinary standard residences is exempt from LAT if the appreciation derived from the sale does not exceed 20% of the sum of deductible items. Deductible items include acquisition costs of land use rights, development costs of the land, construction costs of new buildings and facilities or assessed value of used properties and buildings, taxes chargeable for or already imposed on the transfer of real estate and other deductible items as stipulated by the Ministry of Finance. Sales of commercial properties, however, are not eligible for such exemption. Pursuant to the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例實施細則》), in respect of property developers, an additional 20% of deductible expenses may be deducted in the calculation of the land appreciation amount.

On 28 December 2006, the State Administration of Taxation 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》) with the intention of strengthening the collection of

LAT. This notice, among other things, requires property developers to settle the final LAT payable in respect of development projects that meet any one of certain criteria, such as 85% of the development project having been pre-sold or sold. Local provincial tax authorities are authorised to formulate detailed implementation rules in accordance with this notice taking into account local conditions. Please refer to the section headed "Regulatory Overview – Major taxes applicable to real estate developers – Land appreciation tax" set out in Appendix II to this circular for further details.

The implementation of LAT varies among different cities of the PRC and significant judgement is required in determining the amount of land appreciation and its related income tax provisions, and the ultimate tax amount payable under the above laws and regulations is uncertain. In the event that the LAT that the Target Group has provided for is required to be paid, the cashflow and financial position of the Target Group will be adversely affected by such payment. Furthermore, in the event that the actual LAT paid (due to changes in local practices and interpretations of related regulations of local tax authorities) exceeds the amount that the Target Group has provided for, the results of operations and financial position of the Enlarged Group will be adversely affected.

Changes to the PRC enterprise income tax law (EIT Law) or its implementation could have a material adverse effect on the Enlarged Group, and dividends payable by us to the Shareholders and gain on the sale of Shares may become subject withholding taxes under PRC tax law

Under the PRC enterprise income tax law ("EIT Law"), which came into effect on 1 January 2008, the exemption from withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the previous tax law is no longer available. Foreign investors that are "non-resident enterprises" are subject to the PRC withholding tax at a rate 10%, to the extent any dividends distributed by PRC resident enterprises as well as any gain realized on the transfer of the shares or interests in PRC resident enterprises. According to the treaty between PRC and Hong Kong, such investors established in Hong Kong are subject to such tax at rate of 5% under certain conditions.

In addition, the new tax law deems an enterprise established offshore but with "de facto management bodies" in the PRC as a "resident enterprise" which is subject to PRC enterprise income tax on its global income, excluding dividends, received from its PRC subsidiaries. Since some of the members of the Enlarged Group's management team reside in the PRC, the non-PRC members of the Enlarged Group may be considered PRC resident enterprises. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, its global income, excluding dividends, received from its PRC subsidiaries, will be subject to the PRC enterprise income tax at a rate of 25%. There is no assurance that the relevant PRC tax authorities will not certify the Company as a resident enterprise under the EIT Law in the future.

The imposition of withholding tax on dividends payable from the PRC entities of the Enlarged Group or the imposition of the PRC enterprise income tax on the Enlarged Group's global income as a result of "resident enterprise" categorisation under the EIT Law may have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

In addition, based on the above, if the PRC tax authority classifies the Company as a resident enterprise, the Enlarged Group will be required under the EIT Law to withhold PRC income tax on its dividends payable to its "non-resident enterprise" Shareholders or such Shareholder will be required to pay the withholding tax on the transfer of Shares. The value of its investment of the Shares may be materially and adversely affected.

The Company is a holding company that relies on dividend payments from its subsidiaries for funding and dividends from its PRC subsidiaries which are subject to PRC withholding tax and the Company's ability to pay dividends or other distributions and to service its debts may be restricted

The PRC laws require dividends to be paid out of the net profit calculated according to the PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions, including the HKFRS. Foreign-invested enterprises, such as the Enlarged Group's subsidiaries in China, are also required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Such dividends are also subject to the PRC withholding tax.

The Company is a holding company incorporated in the Cayman Islands and, upon Completion, the operations of the Enlarged Group will be primarily conducted through its PRC incorporated subsidiaries. Therefore, the availability of funds to pay dividends to the Shareholders and to service the Company's debts depends on dividends received from these subsidiaries. If the subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends or other distributions and to service its debts will be restricted.

Government control of foreign currency conversion may materially and adversely affect the Enlarged Group and its ability to meet foreign exchange requirements

RMB is not a freely convertible currency. Upon Completion, most of the revenue of the Enlarged Group will be generated in the PRC and in RMB, and it will need to convert RMB into Hong Kong dollars and other foreign currencies for payment of dividends to the Shareholders and to service its debts. The exchange rates of the RMB against the Hong Kong dollar, the US dollar and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in the PRC's and global political and economic conditions. There is significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the Hong Kong dollar, the US dollar or other foreign

currencies. As the Enlarged Group needs to convert future financing into RMB for its operations, the continued appreciation of RMB against the relevant foreign currencies would reduce the RMB amount the Enlarged Group would receive from the conversion.

On the other hand, as dividends on Shares, if any, and interest payment on certain debts of the Enlarged Group are paid in foreign currencies, any devaluation of RMB against the relevant foreign currencies would adversely affect the Enlarged Group's results of operations and financial condition, which may reduce the amount of any cash dividends on the Shares. In addition, the conversion of RMB into Hong Kong dollars and other foreign currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for the Company to pay dividends in a currency other than RMB to the Shareholders may expose the Company to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that the Company will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

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

The PRC government imposes restrictions on foreign investment in the property sector to curtail the speculation in the property sector by, among other things, increasing the capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on the purchase of properties in China by foreign persons. For example, in May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Administration regarding Foreign Direct Investment in the Real Estate Industry (《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》) and on 24 June 2014, MOFCOM and SAFE jointly issued the Notice On Improving Archival Filing of Foreign Investment in the Real Estate Industry (《關於改進外商投資房地產備案工作的通知》) which, among other things, provides that:

- foreign investment in the luxury property sector in the PRC should be strictly controlled;

- prior to obtaining approval for the establishment of FIREEs, either (i) both the land use rights certificates and housing title certificates should be obtained or (ii) contracts for obtaining land use rights or housing titles should be entered into;

- FIREEs approved by local commercial administrative authorities must immediately register with the provincial commerce administrative authorities and the provincial relevant authorities shall issue a public announcement on the MOFCOM website on the foreign company; and

- foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those FIREEs which have not completed their filings or have failed to pass the annual inspection.

These restrictions may affect the Enlarged Group's ability to make further investments in its PRC subsidiaries and as a result may limit its business growth and have a material adverse effect on its business, prospects, financial condition and results of operations. Please refer to the section headed "Regulatory Overview – Foreign exchange control" set out in Appendix II to this circular for further details.

Also, the PRC government has imposed restrictions on the ability of foreign-invested PRC property developers to receive offshore funds. In September 2006, SAFE and MOC (原建設部) issued the Notice on Regulating Foreign Exchange Measures of Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》). In May 2013, SAFE issued the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and the Operational Guidelines on Administrative for Foreign Debt Registration (《外債登記管理操作指引》). The above mentioned regulations stipulate, among other things, that (i) SAFE will not process foreign debt signing registrations for FIREEs who obtained authorisation certificates from and registered with MOFCOM on or after 1 June 2007; (ii) only foreign-invested real estate companies established before 1 June 2007 can borrow foreign debt within the balance of its total investment amount and the registered capital; and (iii) if foreign-invested real estate companies do not have a registered capital that is fully paid up or have not obtained the relevant state-owned land use rights certificate, or the capital injected into such companies is less than 35% of the total investment amount, such companies cannot borrow foreign debt. These regulations impose restrictions on FIREEs on raising funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. These regulations, however, do not restrict property developers from receiving foreign capital by way of increasing the registered capital of existing foreign-invested companies or through the establishment of new FIREEs, provided that such increase of registered capital or establishment of new company has been duly approved by MOFCOM or its relevant local branch and registered with MOFCOM.

As a foreign-invested PRC property developer, the Enlarged Group is subject to this notice. However, there can be no assurance that the Enlarged Group will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, there can be no assurance that the PRC government will not introduce new policies that further restrict the ability of the Enlarged Group to repatriate

funds to the PRC. Should there be any limitation on the Enlarged Group's ability to repatriate funds to the PRC, its liquidity and ability to fund and expand its business could be adversely and materially affected.

In addition, any capital contributions made to the Enlarged Group's operating subsidiaries in the PRC are subject to foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with the Notice on Relevant Business Operations Issues on the Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《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") promulgated by SAFE in August 2008 which is aimed at strengthening the administration of payment and settlement of foreign exchange capital of foreign-invested enterprises, unless otherwise permitted by the PRC laws or regulations, RMB capital converted from foreign exchange capital contributions can only be applied to the activities within the approved business scope of such foreign-invested enterprise and cannot be used for domestic equity investment or acquisition. In July 2011, SAFE issued a supplementary notice to the Notice 142, which provides more detailed procedures and additional requirements for the administration over the settlement of foreign exchange capital. On 4 July 2014, the SAFE issued the Notice On Issues Relating to Pilot Scheme of Reform of Administration of Foreign Currency Capital Settlement by Foreign Investment Enterprises in Certain Localities (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) (the "Notice 36"), which provides that only foreign invested enterprises in 16 pilot scheme localities can use RMB capital for domestic equity investment or acquisitions. As a result of the Notice 142 and the supplementary notice, the Enlarged Group may encounter difficulties in increasing the capital contribution to its subsidiaries in the PRC and subsequently converting such capital contribution into RMB for equity investment or acquisition in the PRC. If the Enlarged Group fails to obtain such approvals, its ability to fund its operations or to make capital contributions as general working capital may be negatively affected, which could materially and adversely affect its business, prospects, financial condition and results of operations.

Natural disasters, public health and public security hazards in the PRC may severely disrupt the Enlarged Group's business and operations, and may have a material and adverse effect on its business, financial condition and results of operations

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly, on its overall GDP growth. As most of the Enlarged Group's revenue is derived from its operations in the PRC, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP may materially and adversely affect the financial condition, results of operations and future growth of the Enlarged Group. In addition, if employees are affected by a severe communicable disease, the Enlarged Group may be required to institute measures to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Enlarged Group's general contractors and construction service providers.

Moreover, the PRC has experienced natural disasters like earthquakes, floods, landslides and droughts in the past few years, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines, homes, automobiles, crops, and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas.

Any future natural disasters and public health and public security hazards may, among other things, materially and adversely affect or disrupt the Enlarged Group's operations and the progress of its projects. Furthermore, such natural disasters and public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect the business, results of operations and prospects of the Enlarged Group.

RISK RELATING TO THIS CIRCULAR

Certain statistics and other information relating to the economy and the PRC property development industry contained in this circular were derived from various official sources and government publications and have not been independently verified and may not be reliable

Statistics, industry data and other information relating to the economy and the PRC property development industry contained in this circular have been derived from various official government publications with information provided by the PRC and other government agencies and private publications, none of which were commissioned by the Company. As such statistics, data and information were obtained from official government sources and private publications, the Company or its Directors, agents and advisers cannot assure you or make any representation as to the accuracy or completeness of such information and statistics. None of the Company, the Directors, the Sole Sponsor or any of their respective affiliates, directors, employees, agents or advisers have prepared or independently verified the accuracy or completeness of such information although reasonable care has been used when extracting and producing the information from their sources. Due to possible flawed collection methods, discrepancies in published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources and should not be unduly relied upon. Shareholders should give careful consideration as to how much weight or importance to attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

OVERVIEW

Xi'an First City

The Target Group engages in the development, sale, leasing and operation of Xi'an First City, which is designed to be an outlets-backed integrated property project in Xi'an city in the PRC. The project is designed to be pillared by avenues of outlet shops and complimented by other properties including offices, retail space, residential buildings and car parking spaces. Xi'an First City has seven phases of properties completed or under development and further land held for future development.

As at 30 June 2014, Xi'an First City occupied a total site area of 355,914 sq.m. and had seven phases of properties completed or under construction with a total saleable GFA of 1,241,791 sq.m. and further land for future development with a planned total GFA of 382,047 sq.m.. As at 30 June 2014, the aggregate market value as valued by DTZ attributable to the properties owned by the Target Group was approximately RMB2,671.7 million. As at the same date, excluding the properties sold, the Target Group owned 956,614 sq.m. of this project, comprising GFA completed, under development and planned for future development. As at 30 June 2014, the Target Group had cumulatively completed the development of a GFA of 945,850 sq.m.. The Target Group had sold and pre-sold 712,047 sq.m. and 132,473 sq.m., respectively, within Xi'an First City up to 30 June 2014. For details of Xi'an First City, please refer to the paragraph headed "Property project of the Target Group" in this section.

For the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, the Target Group recorded total revenue of RMB1,188.3 million, RMB95.4 million, RMB1,211.4 million and RMB1,045.3 million, respectively, and net profits of RMB207.4 million, RMB11.3 million, RMB234.5 million and RMB181.0 million, respectively.

Xi'an First City is held and developed by the Target Company, which is owned indirectly by BCL as to 40% and Reco Ziyang as to 60% immediately prior to completion of the BCL Acquisition. The day-to-day operations of Xi'an First City are currently managed by BCL, which is under the purview of the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. BCL primarily engages in property development in the PRC. After Completion, the Company will become an overseas-incorporated listed platform of BCL, focusing on outlets-backed integrated property development projects/or and commercial property projects in 17 selected Target Cities in the PRC. For business and geographical delineation between the Enlarged Group and the BCL Group, please refer to the section "Relationship with Controlling Shareholders" in this circular for details.

Xi'an First City will be the first outlets-backed integrated property project of the Enlarged Group. Other than Xi'an city, the Enlarged Group plans to expand into other Target Cities for development of outlets-backed integrated property projects and/or commercial property projects and of these selected Target Cities, the Enlarged Group targets to first expand into key cities, namely, Hefei, Nanjing, Changsha and Xiamen. Based on preliminary research on the PRC

government development plans and internal planning, the proposed developments in these cities are expected to, similar to Xi'an First City, mainly comprise outlet shops, retail space, offices, and residential buildings. The targeted customers are middle-class consumers and young families with strong purchasing powers. The development plans are at an initial stage, subject to land acquisition by the Enlarged Group through formal land acquisition procedures and the terms and conditions to be imposed by the PRC government on the land grant, if any.

COMPETITIVE STRENGTHS

The Directors believe that the principal competitive strengths of the Enlarged Group will include the following:

Ability to develop, sell and lease outlets-backed integrated property projects and commercial property projects

The key competitive strength of the Enlarged Group is its ability to develop outlets-backed integrated property projects and commercial property projects through its experienced management. The Enlarged Group will have its own dedicated personnel who have the requisite experience, knowledge and skills.

The Directors believe that the distinctive positioning of developing outlets-backed integrated property projects and commercial property projects targeted at consumers with high spending power, successfully differentiates the Enlarged Group from pure residential (with supporting retail shops), commercial and mixed-use property projects developed by other industry players. The outlets-backed integrated property projects of the Enlarged Group are typically designed to contain both commercial and residential elements, which are pillared by a cluster of outlet shops as its core component. The aim is for the outlet shops to attract shoppers and visitors from neighbouring areas and the projects to become the focal point of their respective surrounding urban areas. The aim is to develop the outlets-backed integrated property projects to such a scale and extent to be potentially capable of transforming and enhancing the value of the adjacent neighbourhood.

As compared with other commercial property projects, outlets-backed integrated property projects in the PRC are at a relatively preliminary stage of development. The entry barriers for other industry players to develop outlets-backed integrated property projects primarily include the access to brand-name retailers, the need to build relationship with them and the ability to effectively manage the operation of outlet shops and brand-name tenants. With the industry experience and skills of its management in developing outlets-backed integrated property projects, the Directors believe that the Enlarged Group will have a competitive advantage over other industry players.

Occupies a prime and accessible location with rising demand and ability to capture growth potentials in selected cities

Xi'an First City is situated in a core region of an economic and technological development zone and the new central district of government affairs in Xi'an city, a second-tier city in the PRC. The location is well-supported with transportation networks, such as high-speed and underground railway and express highway, providing easy accessibility to and from the center of Xi'an city, the Xi'an airport and neighbouring cities.

The development of Xi'an First City fits well with the city planning and development of Xi'an. The prime and accessible location of Xi'an First City enables it to encapsulate the rising demand and growth potentials for retail space and offices in Xi'an. Easy access to major roads and railways increases the value, investment potential and marketability of Xi'an First City.

The Enlarged Group aims to capture the growth potentials of the population and economies of the 17 selected Target Cities. The Enlarged Group targets to develop outlets-backed integrated property projects in close-suburb locations of these cities. As the central business districts and urban city centres of the selected Target Cities continue to expand, the close-suburb locations for the development of the outlets-backed integrated property projects of the Enlarged Group, which are connected to public transport and supported with urban infrastructure, will be well-positioned to attract those population in pursuit of cosmopolitan living and shopping styles.

Ability to leverage on relationship with BCL

BCL Group has engaged in the property development business in the PRC since 1995. After Completion, the Company will become an overseas-incorporated listed platform of BCL focusing on the development of outlets-backed integrated property projects and commercial property projects. The Directors believe that the Enlarged Group can leverage on BCL Group's long-standing working relationships with the various PRC government departments involved in the real estate industry for better understanding of government development policies, while maintaining its own ability in identifying suitable sites for development and conducting researches and feasibility analysis.

Furthermore, BCL Group has a proven track record in managing a number of outlets-backed integrated property projects in Beijing, Kunshan, Huzhou and Hainan in the PRC. As such, the Directors believe that the synergy created by the Target Group's association with the positive image of BCL Group will bolster the Enlarged Group's reputation and credibility as a property developer of outlets-backed integrated property projects similar to those managed by BCL Group.

Skilled management team with experience in outlets-backed integrated property projects and commercial property projects and relationship with brand-name retailers

The core management team of the Target Group has in-depth industry knowledge and business management skills in the PRC real estate industry, which contributed to the Target Group's strong track record performance and its abilities to develop properties demanded by customers in the real estate market.

The Enlarged Group has designated management personnel, who have experience in the development of outlets-backed integrated property projects and commercial property projects. They have the requisite skills, outlets specific know-how, established relationships with brand-name retailers, including international and domestic labels, and are well equipped to lead the Enlarged Group forward in developing outlets-backed integrated property projects. The Enlarged Group also has customed internal policies for effective management of outlet-backed integrated property projects and commercial property projects. As such, the Directors believe that the Enlarged Group will be well-positioned to attract quality tenants for its property projects.

Ability to identify competitively priced development sites with growth potential

The Directors believe that the Target Group and its management team have the ability to identify land reserves with growth potential for development of different types of property projects and to acquire them at relatively low cost specifically for the development of outlets-backed integrated property projects and/or commercial property projects, providing the Enlarged Group with a competitive advantage in the PRC property market.

The Target Group and its management team have the ability and experience in conducting analysis in various aspects of property development (such as local demand, transportation network and government planning). The Directors believe that the Enlarged Group is well placed in understanding the overall government land zoning and development plans and policies for a particular city or region, with a view to seize attractive expansion opportunities when presented. The Directors therefore also believe that the Enlarged Group may have a competitive edge in identifying developable sites with growth potential ahead of other developers, enabling it to promptly make investment decisions to acquire suitable sites at competitive prices.

BUSINESS STRATEGIES

Leverage on existing abilities to become a leading developer of outlets-backed integrated property projects in the PRC with a balanced property portfolio

Through leveraging on its strengths and abilities in developing outlets-backed integrated property projects, the experience and skills of its dedicated personnel and its relationship with brand-name retailers, the Enlarged Group intends to become a leading developer of outlets-backed integrated property projects in the PRC.

The Enlarged Group intends to achieve a balanced property portfolio by evaluating and strategically adjusting the respective portions of its developments for sale and investment properties from time to time in light of, among others, the expansion plan of the Enlarged Group, the capital requirement and the financial position of the Enlarged Group.

On the one hand, the Enlarged Group will continue with the sales of properties to satisfy owner-occupier demand for (i) residential properties and (ii) retail space which support the local residents. On the other hand, the Enlarged Group will hold all its outlet shops as long-term investment properties for leasing to retailers offering branded merchandizes. The residential properties held for sale are expected to generate stable demand for and support the operations of outlet shops in the same complex during the weekdays, while the outlet shops have the potentials of enhancing the value of adjacent properties in the complex.

The balanced property portfolio would enable the Enlarged Group to generate cash inflow from sales of properties whilst maintaining recurring rental income and capturing the long-term capital appreciation potential of its properties for investment and operation. The Enlarged Group will also utilise the sale proceeds and cash flow generated from sales of properties from time to time to satisfy its funding needs, in particular, the significant initial capital requirement for its investment in other new property projects.

Expansion into selected provincial capital cities, prefectual cities and state-plan designated cities and create value through the development and operation and management of outlets-backed integrated property projects and/or commercial property projects

Xi'an First City is the first property project of the Enlarged Group. The Enlarged Group will expand into carefully selected provincial capital cities (省會城市), prefectual level city (地級市) and state-plan designated cities (計劃單列城市) when opportunities arise to develop and operate other outlets-backed integrated property projects and/or commercial property projects. Of the 17 selected Target Cities, the Enlarged Group currently targets to first expand into Hefei, Nanjing, Changsha and Xiamen by inter alia, acquiring land, acquiring or leasing of properties and/or operation and management of outlets-backed integrated property projects and commercial property projects. As at the Latest Practicable Date, no acquisition target has been identified.

The Enlarged Group aims to continue to create long term value by developing, operating selling and leasing properties in outlets-backed integrated property projects and commercial property projects in the PRC. The Enlarged Group expects to leverage on the experience of its management team in identifying and acquiring new sites for further expansion of outlets-backed integrated property projects in particular.

The Enlarged Group intends to continue the Target Group's practice of conducting comprehensive analysis on factors including the level of rent, selling price of properties, transportation and government planning in the region or city to make informed decisions before acquiring land parcels. The Enlarged Group will conduct careful planning and extensive research, consider the conditions of the commercial property market, property prices, growth potential,

customer demands and competition dynamics in the locality, the overall market sentiment in the relevant city, as well as the capital expenditure requirements when determining whether to expand into a new city or determining the composition of property types within an outlets-backed integrated property project and a commercial property project. For further details on the Enlarged Group's expansion plans, please refer to the paragraph headed "Future plans" in the section below.

Capitalise on fund raising capability to support the continual expansion of the Enlarged Group

Following Completion, the Company will become an overseas-incorporated listed platform of BCL engaged in outlets-backed integrated property projects and commercial property development business with access to the international capital markets. The Directors believe that (i) with the growth potential of Xi'an First City, driven by the development of outlet shops, which shall form the selling point and enhance the value of the adjacent residential and other commercial components of the project; and (ii) expansion plan into other Target Cities with fast growing economies and population, the Enlarged Group will be able to build a portfolio of outlets-backed integrated property projects and commercial property projects and attract additional financing sources through the sale to investors of equity or debt securities. Based on the strong financial performance of the Target Group as demonstrated by Xi'an First City in the Track Record Period and the high growth potentials of the selected Target Cities, the Directors believe that the Enlarged Group will have strong capability to raise sufficient funds to develop and expand its property business to create value for its shareholders.

Attract and retain talented personnel through systematic training programmes and competitive remuneration packages

The Enlarged Group is committed to building a professional and highly-skilled team with strong execution capability. The Directors believe the Enlarged Group's success and future growth strategy depends on its ability to attract and retain talented professionals, particularly experienced individuals in the PRC real estate industry.

To attract and retain talented professionals, the Enlarged Group will offer systemic and comprehensive training programmes to its employees, such as the programmes targeted at employees of different seniorities at different stages of their career. The Enlarged Group will also continue to place great emphasis on the enhancement of its operations team's knowledge and understanding of the property development industry especially in relation to the development, operation, sale and leasing of outlets-backed integrated property projects and commercial property projects through training and rotation programmes.

The Enlarged Group plans to continue to offer competitive remuneration packages to attract and retain talented professionals. If considered appropriate and approved by the Board, the Enlarged Group will offer performance incentives to its eligible employees, including

performance-based bonuses and share options under the Company's existing share option scheme, to better align its employees' interests with interests of the Enlarged Group and to foster a higher level of recognition and realisation of its corporate value and culture.

FUTURE PLANS

In respect of Xi'an First City, further development in Phase 5A of the project has been planned, comprising avenues of outlet shops and ancillary facilities including a hotel and offices. Construction of the outlet shops is currently expected to commence construction in 2015, with completion of construction currently expected to be in or around the end of 2016 and commercial opening in or around 2017. Sources of funding for Phase 5A are expected to include bank loans and pre-sale proceeds. The outlet shops will be leased to target tenants of brand-name retailers, including international and domestic labels, which are expected to offer apparel, sportswear, bags, luggage and footwear products. It is expected that the life-style shopping avenues of outlet shops will attract consumers not only in the local vicinity but also from nearby cities. For further details on the planned outlet shops, please refer to the section "Description of Xi'an First City" below.

The Acquisition is the first step for the Company to expand into the real estate industry sector. In addition to Xi'an First City, which is the first outlets-backed integrated property project of the Enlarged Group after Completion, the Enlarged Group will increase its property portfolio by expanding into selected Target Cities to develop other outlets-backed integrated property projects and/or commercial property projects. The Enlarged Group currently targets to first expand into Hefei, Nanjing, Changsha and Xiamen by acquiring land, acquisition or leasing of properties and/or operation and management of outlets-backed integrated property projects and commercial property projects.

Preliminary researches and feasibility studies on potential developable sites and consultations with the relevant government authorities have begun, and it is currently envisaged that the land for each of the development project in Hefei, Nanjing, Xiamen and Changsha may have a planned GFA ranging from approximately 200,000 sq.m. to 400,000 sq.m, of which 50,000 sq.m. to 80,000 sq.m. may be used for the development of outlets shops and ancillary facilities. According to initial internal planning, the developments may comprise properties including outlet shops, offices, retail space, residential properties, hotel(s) and car parks. The target customers are middle-class consumers with purchasing powers and young families aged between 20 to 45.

As the acquisition of land is subject to formal competitive bidding, public auction and listing-for-sale procedures, as at the Latest Practicable Date, detailed timeframe and plans for expansion have not been finalised and will be subject to change. The development plans will depend on factors including successful acquisition of land by the Enlarged Group among competition from other interested industry players, terms of the land grant, conditions of the land to be acquired and requirements from government authorities. Where the expansion plans involve the acquisition or leasing of properties and/or the operation and management of outlets-backed

integrated property projects and commercial property projects, the implementation of such plans will also be subject to factors including identification of acquisition targets, property market conditions and price trends, ability to introduce and retain quality tenants including brand-name retailers for outlet shops, competition from other interested property developers and operators and preferences and demand of tenants. As at the Latest Practicable Date, no acquisition target has been identified. The Enlarged Group expects to fund its expansion plans with internal resources, equity and debt capital market financings and bank loans. For details of the relevant risks associated with the Enlarged Group's future plans, please refer to the section headed "Risks Factors", including the paragraphs headed "The Enlarged Group may not always be able to obtain sites that are suitable for property development and acquire sufficient land reserves at reasonable cost which may restrict and impact on its expansion, business and financial performance"; "The Enlarged Group may not be able to attract and retain quality tenants ahead of its competitors which may impact on the attractiveness of its projects and in turn affect is reputation, results of operations and financial performance" and "The Enlarged Group may rely on third-party sub-contractors to perform certain property and hotel management services in relation to the operating and management of outlets-backed property projects and commercial property projects which may affect its business, results of operations and financial conditions of the Enlarged Group".

As mentioned in the section headed "Letter from the Board" of this circular, the Group's existing chemical business in the production of phthalic anhydride ("**PA**") and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins, has shown a significant decrease in its financial performance. For the financial year ended 31 March 2014, the Group's profit after tax has substantially decreased by approximately 69% to approximately HK$ 3.1 million only. The average selling price of PA, one of the main products of the Group, has decreased due to weaker market demand. The combined effect of the decrease in average selling price of PA and an increase in purchase costs of a major raw material has led to the narrowing of profit margin.

In addition to the downward trend in the financial performance and the change in operating conditions above-mentioned, the nature of the Group's existing chemical business also does not align with the Enlarged Group's business strategies going forward, which is to expand into the real estate industry sector. The chemical business is not expected to drive or significantly contribute to the operating results of the Enlarged Group nor is it expected to form any synergies with the Enlarged Group's property development business. As such, subject to and after Completion, the Company may upon review of the business of the Enlarged Group, consider options for its restructuring, including downsizing or disposing of the chemical business. Any decision to downsize or dispose of the chemical business, should one materialize, and the timing will be subject to approval by the Board, which will take into account factors including (i) the prevailing macro-economic conditions and general conditions in the chemical industry; (ii) terms of offer from potential buyers; (iii) the prevailing market conditions in the real estate industry sector in the PRC and (iv) progress of expansion and development of outlets-backed integrated

property projects and commercial property projects by the Enlarged Group. Any restructuring, if materialises, will be conducted in accordance with all applicable laws, rules and regulations, including the Listing Rules.

HISTORY AND DEVELOPMENT

The key milestones in the development of Xi'an First City are set forth below:

2007	Establishment of the Target Company as an equity joint venture company by BCL, Reco Ziyang and Shaanxi Haiyi Investment Management Company Limited*（陝西海億投資管理有限公司）("**Shaanxi Haiyi**")
2008	Acquisition of land from Xi'an Economic Development Zone Land Bureau under a land grant contract
2009	Obtaining of the first land use rights certificate for the development of Xi'an First City. Commencement of construction and pre-sale of Phases 1 and 2.
2010	Commencement of construction and pre-sale of Phase 3, completion of construction of Phase 1
2011	Commencement of construction of Phases 4 and 5 and pre-sale of Phase 4, completion of construction of Phases 2 and 3
2012	Commencement of construction of Phase 6 and pre-sale of Phases 5 and 6
2013	Commencement of construction of Phase 7, completion of construction of Phase 4 and partial completion of construction of Phase 5 Awarded "Branded Property Enterprise（品牌房企）in 2013" and "2013 Model Property Development for Value（2013年價值典範樓盤）" by Tencent Real Estate（騰訊房產）and "2013 Most Popular Property Development（2013年最具人氣樓盤）" by Huashang Bao（華商報）
2014	Completion of construction of Phase 6

Establishment

The Target Group was founded in 2007, when the Target Company, being the main operating company, was established. At the time of establishment, the Target Company was held by BCL, Reco Ziyang and Shaanxi Haiyi as to 38.4% 57.6% and 4% respectively. The business of the Target Company was initially financed by investment contributions by BCL, Reco Ziyang and Shaanxi Haiyi to the registered capital of the Target Company and bank loans.

BCL is the controlling shareholder of the Company and a founding member of the Target Company. It is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). BCL Group mainly engages in developing and investing in commercial properties, outlets-backed integrated properties and medium to high-end residential properties, operations of hotels, property consulting services and investment holding.

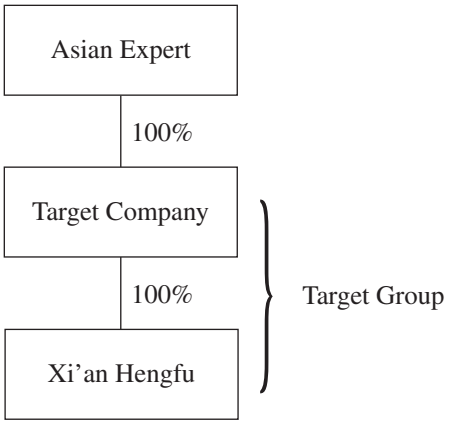
Reco Ziyang is a founding member and the majority equity holder of the Target Company prior to the completion of the BCL Acquisition. It is also a joint venture partner of BCL in a number of joint venture real estate projects in the PRC. Reco Ziyang is a company incorporated in Singapore and owned by Recosia China Pte Limited, a company incorporated in Singapore and a shareholder of Yang Guang Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Reco Ziyang and its ultimate beneficial owner are third parties independent of the Company and its subsidiary. Reco Ziyang is a connected person of BCL at its subsidiary level.

Shaanxi Haiyi was a founding member and minority equity holding of the Target Company prior to its transfer of equity interest to Reco Ziyang and BCL respectively in July 2008. For further details, please refer to "Corporate structure and shareholding changes" in this section below.

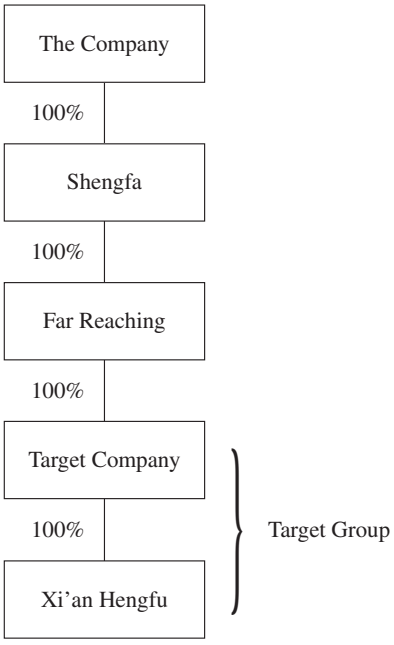
Corporate structure and shareholding changes

The Target Group comprises two members, the Target Company and its wholly-owned subsidiary, Xi'an Hengfu. For the corporate structure of the Target Group before and after Completion, please refer to the diagrams below.

The following diagram depicts the corporate structure of the Target Group subsequent to the completion of the BCL Acquisition:



The following diagram depicts the corporate structure of the Target Group immediately after Completion:



A summary on the Target Company, which was most material to the performance of the Target Group in the Track Record Period, and the transfers and alterations of its equity interest are set out below. The Target Company is principally engaged in the development of Xi'an Project.

The Target Company was established on 24 December 2007 in the PRC as a limited liability equity joint venture company and commenced business with a registered capital of US$95 million. At the time of establishment, the Target Company was held as to 38.4%, 57.6% and 4% by BCL, Reco Ziyang and Shaanxi Haiyi respectively.

In July 2008, Shaanxi Haiyi transferred its 2.4% and 1.6% equity interest in the Target Company to Reco Ziyang and BCL respectively, at a consideration of approximately RMB64.1 million and RMB42.8 million respectively, determined with reference to the then registered share capital of the Target Company and the prevailing land premium quoted in competitive bidding, public auction and listing-for-sale processes for land comparable to the land acquired by the Target Company on which the Xi'an Project is situated. The transfer was completed on 24 July 2008. Subsequent to the transfer, the Target Company was held as to 40% by BCL and 60% by Reco Ziyang, respectively. Shaanxi Haiyi is a company established in the PRC and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shaanxi Haiyi is an independent third party of the Company and its connected persons. Shaanxi Haiyi is an independent third party of the Target Company save in respect of its historical equity interest held.

On 23 October 2008, the registered capital of the Target Company was increased from US$95 million to US$165 million which was fully paid up by BCL and Reco Ziyang on a pro-rata basis.

In June 2011, BCL transferred its 40% equity interest in the Target Company to Chongqing Tianfeng Hongzhan Holdings Ltd.* (重慶天豐宏展控股有限公司) ("**Chongqing Tianfeng**") at a consideration of approximately RMB503.7 million, determined with reference to a valuation report issued by an independent third party valuer. The transfer was completed on 10 June 2011. Subsequent to the transfer, the Target Company was held as to 40% by Chongqing Tianfeng and 60% by Reco Ziyang, respectively. Chongqing Tianfeng is a company established in the PRC and was at the relevant time of the transfer, an indirect wholly-owned subsidiary of BCL.

In December 2012, Chongqing Tianfeng, the then indirect wholly-owned subsidiary of BCL, transferred its 40% equity interest in the Target Company to Asian Expert at a consideration of approximately RMB507.0 million, determined with reference to a valuation report issued by an independent third party valuer. The transfer was completed on 19 December 2012. The transfer was part of the internal restructuring steps of BCL to transfer the Target Company to an offshore shareholding structure. Subsequent to the transfer, the Target Company was held as to 40% by Asian Expert and 60% by Reco Ziyang, respectively.

In August 2014, Reco Ziyang transferred its 60% equity interest in the Target Company to Asian Expert at a consideration of approximately RMB937.6 million, determined with reference to the net asset value attributable to Reco Ziyang based on the unaudited financial statements of the Target Company as at 30 June 2014. The transfer was effected on 10 September and the consideration was paid on 12 September 2014.

The PRC legal adviser to the Company is of the view that save for the registrations with relevant local administration of industry and commerce and foreign exchange administration authorities in connection with the BCL Acquisition, which are expected to complete prior to the Completion, the above transfers and alterations in the equity interest of the Target Company were legally valid and effective and that all material approvals from the relevant PRC government authorities have been obtained. The Directors also confirm that each of the above acquisitions, save for the BCL Acquisition, has been properly and legally completed and the considerations have been settled.

The PRC legal adviser to the Company has advised that consent of the CSRC pursuant to the requirements under the Notice of the State Council Regarding the Further Strengthening of the Administration of the Share Issuance and Listing of Joint Stock Company outside the Mainland (《國務院關於進一步加強在境外發行股票和上市管理的通知》) (the "**Red Chip Guidelines**") is not required in relation to the Acquisition. According to the PRC legal adviser to the Company, given that (i) the Target Company has been over 50% foreign-owned by Reco Ziyang as its majority shareholder since its establishment in November 2007 until completion of the BCL Acquisition; (ii) Reco Ziyang is incorporated in Singapore and controlled by foreign capital and hence, not a company registered overseas and controlled by Chinese capital within the scope of

the Red Chip Guidelines; (iii) BCL's interest in the Target Company has been below 50% since the establishment of the Target Company and prior to completion of the BCL Acquisition, being a minority shareholder in the Target Company; (iv) BCL's interest in the Target Company has been held through its off-shore subsidiaries for over three years and; (v) the settlement of the Consideration will not involve the issue of any consideration shares, consent from the CSRC in relation to the Acquisition is not required to be sought.

For the establishment and shareholding of Xi'an Hengfu, please refer to the section headed "Statutory and General Information – Further information about the Target Group – Changes in share capital of the Target Company and Xi'an Hengfu" in Appendix VIII to this circular.

PROPERTY PROJECT OF THE TARGET GROUP

Overview of Xi'an First City

The Target Group holds Xi'an First City in Xi'an, Shaanxi Province in the PRC, which is designed to be a property project, featuring a cluster of outlet shops and also comprising offices, retail space, residential buildings (low-rise garden houses and high-rise residential buildings), car parking spaces and a kindergarten school. The business model of the Target Group is the development, sale and leasing of properties in Xi'an First City.

Xi'an First City is located in the core district of the economic and technology development zone (經濟技術開發區) and the new central district of government affairs, at the North Gate of Xi'an city. The district has a concentration of governmental affairs, business services, technology research and production. This project adjourns the new address of the municipal government, the city sports park and Zhang Jiabao Square. It is well-connected to transportation networks and is located in proximity to the North Railway Station, which is 1.2 km away from Xi'an North Railway Station of Zheng-Xi Passenger Dedicated Line, the hub of Xi'an Railway.

As at 30 June 2014, Xi'an First City occupied a total site area of 355,914 sq.m.. As at the same date, the aggregate market value as valued by DTZ attributable to the properties owned by the Target Group was approximately RMB2,671.7 million. Excluding the properties sold, as at 30 June 2014, the Target Group owned 956,614 sq.m. of this project, comprising GFA completed, under development and planned for future development. As at 30 June 2014, Xi'an First City had seven phases of properties completed or under construction with a total saleable GFA of 1,241,791 sq.m. and further land for future development with a planned total GFA of 382,047 sq.m.. Construction of this project commenced in 2009 and development of a total GFA of approximately 945,850 sq.m. has been completed in Phases 1 to 6 (excluding Phase 5A) up to 30 June 2014. As at 30 June 2014, the total development costs incurred (including land acquisition costs, direct and indirect construction costs, other costs relating to ancillary facilities and capitalized interest) of this project (excluding Phase 1) amounted to approximately RMB3,752.6 million. As at the same date, the total saleable GFA sold and pre-sold amounted to 712,047 sq.m. and 132,473 sq.m., respectively, while sales of all properties in Phase 1 of Xi'an First City have been completed during the Track Record Period.

For details on the use, status and development of the various phases of Xi'an First City, please refer to table (I) under this section.

During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the ASP of the properties sold and delivered in Xi'an First City amounted to RMB5,271 per sq.m., RMB6,990 per sq.m., RMB6,109 per sq.m. RMB6,140 sq.m. and RMB6,158 per sq.m., respectively. The movements of the ASPs can generally be explained by the proportion of different types of properties delivered in the relevant year or period. Commercial properties generally command higher ASP per sq.m. than residential properties and of residential properties, low-rise residential properties generally command higher ASP per sq.m. than high-rise residential properties. The ASP of properties delivered increased for the year ended 31 December 2012 compared to the year ended 31 December 2011 primarily due to an increased portion of commercial properties delivered. ASP for the year ended 31 December 2013 decreased compared to the year ended 31 December 2012 primarily due to a reduced portion of commercial properties delivered in 2013. The slight increase of ASP for the six months ended 30 June 2014 compared to 30 June 2013 was primarily due to a higher portion of commercial properties and low-rise residential properties delivered, which was offset by lowered prices of some remaining properties towards the end of the sales.

For further details of the ASP of each phase of Xi'an First City during the Track Record Period, please refer to the section headed "Financial information of the Target Group – Description of selected income statement items – Revenue" in this circular. During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the ASP per sq.m has generally increased for the various phases.

The future ASP of properties in Xi'an First City will depend on the types and proportion of properties being sold. Going forward, if there is a higher proportion of commercial property to residential property and of low-rise residential properties to high-rise residential properties delivered in a given year, the future ASP for that particular year may be expected to increase compared to other years, subject to factors including features of the properties, the marco-economic conditions, property market conditions, the market demand, government policies or other external determining factors.

.The following tables set out details of Xi'an First City as at 30 June 2014:

(I) Information relating to the use, GFA and development status of Xi'an First City

		COMPLETED				UNDER DEVELOPMENT				FUTURE DEVELOPMENT						
Development phase	Site area (*Note 1*) (*sq.m.*)	GFA completed (*Note 2*) (*sq.m.*)	GFA sold (*sq.m.*)	GFA pre-sold (*sq.m.*)	Saleable GFA remaining unsold (*sq.m.*)	Saleable GFA (*Note 3*) (*sq.m.*)	GFA under development (*Note 2*) (*sq.m.*)	GFA pre-sold (*sq.m.*)	Saleable GFA remaining unsold (*sq.m.*)	Saleable GFA (*Note 4*) (*sq.m.*)	Planned GFA (*Note 2*) (*sq.m.*)	Actual/ Estimated construction commencement date (*Note 5*) (%)	Actual/ Estimated pre-sale commencement date (*Note 6*) (*RMB million*)	Actual/ Estimated construction completion date (*Note 7*)	Target Group's Interest	Target Group's attributable market value (*RMB million*)	Reference to property valuation report
Phase 1	135,032 (*Note 8*)											2009	2009	2010	100	– (*Note 9*)	–
Residential		108,380	107,274	–	–	107,274	–	–	–	–	–						
Retail		2,180	2,180	–	–	2,180	–	–	–	–	–						
Phase 2	135,032 (*Note 8*)											2009	2009	2011	100	1.1	1
Residential		105,052	105,767	112	63	105,942	–	–	–	–	–						
Retail		5,103	5,103	–	–	5,103	–	–	–	–	–						
Phase 3	135,032 (*Note 8*)											2010	2010	2011	100	12.3	1
Residential		139,773	134,748	1,398	172	136,318	–	–	–	–	–						
Retail		1,600	1,600	–	–	1,600	–	–	–	–	–						
Kindergarten		4,500	–	–	4,144 (*Note 10*)	4,144 (*Note 10*)	–	–	–	–	–						
Car Park		14,057	11,080	82	519	11,681	–	–	–	–	–						
Phase 4	135,032 (*Note 8*)											2011	2011	2013	100	169	1
Residential		140,556	133,382	1,380	570	135,332	–	–	–	–	–						
Retail		1,512	–	1,403	–	1,403	–	–	–	–	–						
Car Park		33,453	10,488	163	22,801	33,452	–	–	–	–	–						
Phase 5	150,060 (*Note 11*)											2011	2012	2013/2014	100	777	3
Office		–	–	–	–	–	33,227	19,051	11,258	30,309	–						
Retail		18,165	3,034	5,124	8,007	16,165	4,904	1,277	2,626	3,903	–						
Commercial Apartment		82,563	34,920	42,619	3,289	80,828	–	–	–	–	–						
Car Park		–	–	–	–	–	36,264	–	36,264	36,264	–						

		COMPLETED				UNDER DEVELOPMENT				FUTURE DEVELOPMENT						
Development phase	Site area *(Note 1)* *(sq.m.)*	GFA completed *(Note 2)* *(sq.m.)*	GFA sold *(sq.m.)*	GFA pre-sold *(sq.m.)*	Saleable GFA remaining unsold *(sq.m.)*	Saleable GFA *(Note 3)* *(sq.m.)*	GFA under development *(Note 2)* *(sq.m.)*	GFA pre-sold *(sq.m.)*	Saleable GFA remaining unsold *(sq.m.)*	Saleable GFA *(Note 4)* *(sq.m.)*	Planned GFA *(Note 2)* *(sq.m.)*	Actual/ Estimated construction commencement date *(Note 5)* *(%)*	Actual/ Estimated pre-sale commencement date *(Note 6)* *(RMB million)*	Actual/ Estimated construction completion date *(Note 7)*	Target Group's Interest	Target Group's attributable market value *(RMB million)*	Reference to property valuation report
Phase 6	150,060 *(Note 11)*											2012	2012	2014	100	697	2
Residential		222,119	162,471	23,356	21,424	207,251	–	–	–	–	–						
Retail		3,780	–	3,353	427	3,780	–	–	–	–	–						
Car Park		63,057	–	–	62,008	62,008	–	–	–	–	–						
Phase 7	150,060 *(Note 11)*											2013	2013	2015	100	443	3
Residential		–	–	–	–	–	198,952	33,155	158,127	191,282	–						
Retail		–	–	–	–	–	1,492	–	1,492	1,492	–						
Office		–	–	–	–	–	35,314	–	35,314	35,314	–						
Car Park		–	–	–	–	–	32,910	–	32,910	32,910	–						
Car Park (civil defence)		–	–	–	–	–	40,679	–	–	–	–						
Phase 5A	70,822											2014	2015	2016	100	572	4
Retail		–	–	–	–	–	–	–	–	–	69,065						
Office		–	–	–	–	–	–	–	–	–	164,722						
Hotel		–	–	–	–	–	–	–	–	–	48,100						
Car Park		–	–	–	–	–	–	–	–	–	87,396						
Car Park (civil defence)		–	–	–	–	–	–	–	–	–	12,764						
TOTAL	355,914	945,850				910,317 *(Note 12)*	383,742			331,474	382,047						

Notes:

(1) Information for "Site area" is based on relevant land use rights certificates.

(2) "GFA completed" is based on the completion filing issued by the relevant government authorities. "GFA under development" of phases under development is based on construction works planning permits and/or the latest internal estimates or development plans of the Target Group. "Planned GFA" of the phase for future development is based on the latest internal estimates and development plan of the Target Group.

(3) "Saleable GFA" of completed phases comprises the sum of (i) GFA sold, (ii) GFA pre-sold, and (iii) saleable GFA remaining unsold which is an estimation of the completed GFA and therefore may not align with the "GFA Completed" as the latter is generally based on the area as set out in the completion filing.

(4) "Saleable GFA" of phases under development comprises the sum of (i) GFA pre-sold, and (ii) saleable GFA remaining unsold.

(5) "Actual/estimated construction commencement date" refers to the date the Target Group obtained or estimates to obtain the first construction works commencement permit in respect of the relevant phase of Xi'an First City.

(6) "Actual/estimated pre-sale commencement date" refers to the date the Target Group obtained or estimates to obtain the first pre-sale permit in respect of the relevant phase of Xi'an First City.

(7) "Actual/estimated construction completion date" of (a) completed or partially completed phases (i.e. Phases 1 to 6, excluding Phase 5A) refers to the date of the first completion filing issued by the relevant government authorities for each phase of Xi'an First City and that of (b) phases under development or for future development (i.e. Phases 7 and 5A) refers to the date the Target Group estimates to obtain the first completion filing based on the latest internal estimates and development plan of the Target Group.

(8) Based on the relevant land use right certificate, the total site area of Phases 1 to 4 of Xi'an First City is 135,032 sq.m..

(9) Construction of Phase 1 of Xi'an First City, comprising residential properties and retail space, was completed in 2010 and all properties thereon had been sold. Accordingly, no market value in respect Phase 1 of Xi'an First City has been attributed to the Target Group.

(10) This represents the leasable area of the kindergarten, which is subject to a lease agreement with an education operator for a term of 15 years. Please refer to the paragraph headed "Description of Xi'an First City-Kindergarten" in this section for further details.

(11) Based on the relevant land use right certificates, the total site area of Phases 5 to 7 (exlcuding Phase 5A) of Xi'an First City is 150,060 sq.m..

(12) The total saleable GFA of completed phases does not include the leasable area of the kindergarten of Phase 3 of Xi'an First City. Please refer to note 10 above.

The following table sets out details of Xi'an First City in terms of its actual or planned uses of properties as at 30 June 2014:

	GFA completed *(sq.m.)*	GFA under development *(sq.m.)*	GFA planned for future development *(sq.m.)*
Residential	715,880	198,952	–
Retail/Outlet shops	32,340	6,396	69,065
Kindergarten	4,500	–	–
Office	–	68,541	164,722
Commercial apartment	82,563	–	–
Hotel	–	–	48,100
Carpark	110,567	69,174	87,396
Carpark (civil defence)*	–	40,679	12,764
Total	945,850	383,742	382,047

* *Subject to application for approval of the design planning proposals and the obtaining of the requisite approvals from the civil defence authorities.*

(II) Information relating to the development costs

The following table sets out details of the development costs of Xi'an First City incurred or estimated to be incurred as at 30 June 2014:

	Development costs incurred *(RMB million)*					Payment schedule of further development costs (Estimated) *(RMB million)* *(Note 5)*		
Projects	**Land costs paid**	**Construction cost to be paid**	**Construction cost paid**	**Estimated further development costs to complete the relevant phase**	**Total Development Costs**	**Year ending 31 December 2014**	**Year ending 31 December 2015**	**Year ending 31 December 2016 and after**
	(Note 1)	*(Note 2)*	*(Note 2)*	*(RMB million)* *(Note 3)*	*(Note 4)*			
Xi'an First City								
Phase 2	75.29	11.50	307.96	-	394.75	11.50	–	–
Phase 3	113.20	50.25	434.21	–	597.65	50.25	–	–
Phase 4	129.42	43.44	505.16	–	678.02	43.44	–	–
Phase 5	73.28	29.28	461.15	151.26	714.97	46.19	95.61	38.74
Phase 6	186.65	59.85	683.29	197.64	1,127.43	59.85	119.32	78.32
Phase 7	176.53	10.66	174.59	986.09	1,347.87	168.36	565.35	263.04
Phase 5A	206.70	2.85	17.32	2,022.97	2,249.84	111.97	449.21	1,464,64
Subtotal	961.07	207.83	2,583.68	3,357.96		491.56	1,229.49	1,844.74
TOTAL					7,110.54			3,565.79

Based on the Target Group's internal estimates, records, existing project plans and/or the relevant construction and/or development contracts as at 30 June 2014, the estimated total further development costs in relation to Xi'an First City for each of (i) the two years ending 31 December 2014 and 2015 and (ii) the year ending 31 December 2016 and thereafter amount to approximately RMB491.6 million, RMB1,229.5 million and RMB1,844.7 million, respectively.

Notes:

(1) The land costs paid for each phase represents the attributable land premium paid by the Target Company pursuant to the relevant land use right grant contract apportioned according to the actual site area of the relevant phase.

(2) Construction cost includes direct and indirect construction costs, other costs relating to ancillary facilities and capitalised interest.

(3) The estimated further development costs to complete the project represents the estimated further construction costs to complete the project excluding the land premium which has already been settled in full by the Target Company pursuant to the relevant land use right grant contract.

(4) This represents the sum of (i) land costs paid, (ii) construction cost to be paid, (iii) construction cost paid and (iv) estimated further development costs to complete the project.

(5) The Target Group intends to finance the future development costs by bank loans and internal cash flows.

The following information is extracted from DTZ's property valuation report set out in Appendix VI to this circular, summarising DTZ's valuation of Xi'an First City by phases and the selected key assumptions used by DTZ in its valuation. The valuation method adopted by DTZ was based on the direct comparison approach by making reference to comparable sale evidences available and also taking into account the pre-sold area and consideration, as well as estimated total and expended construction costs. Please refer to the section headed "Property Valuation of the Target Group" set out in Appendix VI to this circular for further details, including the background to these assumptions.

Xian First City	Market value in existing state attributable to the Target Group as at 30 June 2014	Valuation approach and key assumptions	Page no. of Valuation Report as set out in Appendix VI
Properties held for sale			
Phase 2	RMB1,050,000	Direct comparison approach *(Note 1)*	VI-7 to VI-13
Phase 3	RMB12,260,000	Direct comparison approach *(Note 1)*	VI-7 to VI-13
Phase 4	RMB169,000,000	Direct comparison approach *(Note 1)*	VI-7 to VI-13
Phase 6	RMB697,000,000	Direct comparison approach *(Note 2)*	VI-14 to VI-17
Properties held under development			
Phase 5	RMB777,000,000	Direct comparison approach *(Note 3)*	VI-18 to VI-25
Phase 7	RMB443,000,000	Direct comparison approach *(Note 3)*	VI-18 to VI-25
Property held for future development			
Phase 5A	RMB572,410,000	Direct comparison approach *(Note 4)*	VI-26 to VI-28
Total	RMB2,671,720,000		

Notes:

1. In valuing the property, DTZ has assumed prices of about RMB6,000 per sq.m. for the residential portion; RMB16,900 per sq.m. for the average price for level 1 to level 2 of the retail portion and RMB160,000 per unit for the car park portion.

   The direct comparison approach is used by making reference to comparable sale evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected within the subject property as well as other relevant comparable sale evidences and analysed in terms of price per sq.m.. The prices of residential premises range from about RMB5,500 per sq.m. to RMB6,500 per sq.m.. The prices of the first floor of retail premises range from RMB26,000 per sq.m. to RMB31,500 per sq.m.. The prices of car park premises range from about RMB160,000 per unit to RMB180,000 per unit. The collected sale

evidences are then adjusted to take into account the discrepancies between the property and the comparables, including without limited to time, location, size, floor difference and quality. The unit rates assumed by DTZ are consistent with the relevant comparable after due adjustment.

2. In valuing the property, DTZ has assumed prices of about RMB6,200 per sq.m. to RMB8,400 per sq.m. for the residential portion (including high-rise residential and low-rise residential); RMB17,000 per sq.m. for the average price for level 1 to level 2 of the retail portion and RMB160,000 per unit for the car park portion.

   The direct comparison approach is used by making reference to comparable sale evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected within the subject property as well as other relevant comparable sale evidences and analysed in terms of price per sq.m.. The prices of residential premises range from about RMB5,500 per sq.m. to RMB8,900 per sq.m.. The prices of the first floor of retail premises range from RMB26,000 per sq.m. to RMB31,500 per sq.m.. The prices of car park premises range from RMB160,000 per unit to RMB180,000 per unit. The collected sale evidences are then adjusted to take into account the discrepancies between the property and the comparables, including without limited to time, location, size, floor differences and quality. The unit rates assumed by DTZ are consistent with the relevant comparable after due adjustment.

3. In valuing the estimated market value as if the property has been completed, DTZ has assumed prices of about RMB7,100 per sq.m. for the office portion; RMB5,880 per sq.m. for the commercial apartment portion; RMB22,250 per sq.m. for the first floor of the retail portion; RMB6,200 per sq.m. to RMB9,300 per sq.m. for the residential portion (including high-rise residential, low-rise residential and garden house); and RMB160,000 per unit for the car park portion.

   The direct comparison approach is used by making reference to comparable sales evidences available on the market. In this regard, comparable sale evidences around the valuation date was collected within the subject property as well as other relevant comparable sale evidences and analysed in terms of price per sq.m.. The prices of office premises range from about RMB8,000 per sq.m. to RMB12,000 per sq.m.. The prices of the first floor of retail premises range from about RMB26,000 per sq.m. to RMB31,500 per sq.m.. The prices of residential premises range from about RMB5,500 per sq.m. to RMB9,500 per sq.m.. The prices of car park premises range from about RMB160,000 per unit to RMB180,000 per unit. The collected sale evidences are then adjusted to take into account the discrepancies between the property and the comparables, including without limited to time, location, size, floor difference and quality. The unit rates assumed by DTZ are consistent with the relevant comparable after due adjustment.

4. In valuing the property, DTZ has assumed a price of about RMB7,800 per sq.m. for the land price. The direct comparison approach is used by making reference to comparable sales evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected and analysed in terms of price per sq.m.. The prices of land range from about RMB6,729 per sq.m. to RMB8,797 per sq.m.. The collected sales evidences are then adjusted to take into account the discrepancies between the property and the comparable, including but not limited to time, location, size and use. The unit rates assumed by DTZ are consistent with the relevant comparable after adjustment.

Classification and status of Xi'an First City held by the Target Group

The Target Group classifies a property development project as an outlets-backed integrated property project if the project is designed to be pillared by a cluster of outlet shops as its core component, with other commercial and residential properties. Such outlet component represents the integral commercial part (整體商業規劃) of the entire property project rather than taking an ancillary or supporting function (配套商業).

Status of the property project

The Target Group also categorises its different phases of the Xi'an Project according to their respective stages of development. Each project phase may be subject to the requirement for multiple construction land planning permit, construction works commencement permit, construction works planning permit, pre-sale permits and other permits and certificates which may be issued at different times throughout their development. The Target Group's classification of its properties is also different from the classification of properties in the section headed "Property Valuation of the Target Group" set out in Appendix VI to this circular and the section headed "Accountants' Report on the Target Group" set out in Appendix III to this circular. Both reports, which were prepared in accordance with the relevant professional standards, share many similarities in their treatment of these properties.

A summary of the differences between the Target Group's classification of properties and the classification of properties set out in the section headed "Property Valuation of the Target Group" set out in Appendix VI to this circular and the section headed "Accountants' Report on the Target Group" set out in Appendix III to this circular is set out in the table below:

The Target Group's classification of properties	**Property Valuation of the Target Group**	**Accountants' Report on the Target Group**
Completed project A property is treated as completed and held for sale or lease when the completion filing is received from the relevant local government authorities in respect of the property or construction of all buildings in respect of which has been completed *(Note)*	Property held by the Target Group for sales in the PRC	Completed properties held for sale

The Target Group's classification of properties	Property Valuation of the Target Group	Accountants' Report on the Target Group
Projects under construction A property is treated as under construction as soon as the construction works commencement permit is received from the relevant local government authority in respect of the property but prior to the issuance of the completion filing	Property held by the Target Group under development in the PRC	Properties under development
Projects held for future development A property is treated as held for future development if the land use rights certificate is received from the relevant local government authorities in respect of the property, but construction work has not yet commenced	Property held by the Target Group for future development in the PRC	Properties under development

Note: In relation to the car parking and certain retail spaces in Phase 6 of Xi'an First City which are undergoing the surveying processes, since the delivery conditions of such properties have not been fulfilled as at the Latest Practicable Date, such properties are classified as "properties under development" in the accountants' report on the Target Group set out in Appendix III to this circular. However, as such properties have obtained the completion filing, they are classified by the Target Group and in the property valuation report set out in Appendix VI to this circular as "completed project" and "property held by the Target Group for sales in the PRC", respectively.

The project name referred to in this circular, Xi'an First City, is the name used by the Target Group to operate its business. The English name of Xi'an First City is a translation of its Chinese name and is included for identification purposes only, and should not be regarded as its official English translation. This project name requires the approval of relevant authorities and the relevant authorities may or may not accept the name the Target Group has used as the registered name of the properties. As a result, the final name that may be registered with the relevant authorities for the project may be different from the name the Target Group has used (i.e. Xi'an First City), which is subject to change.

The site area information for Xi'an First City is based on the relevant land use rights certificates. The aggregate GFA includes saleable and non-saleable GFA, car parking spaces as well as leasable GFA. "Saleable GFA"represents the GFA of a property which the Target Group intends to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land use rights grant contracts, the maximum permissible GFA as specified in the relevant pre-sale permit (where applicable) or other approval documents from the local governments relating to the project. "Leasable GFA" refers to GFA that is available for rental purposes.

The following information in respect of Xi'an First City disclosed in this circular are based on the Target Group's internal records and estimates:

- GFA figures in respect of Phase 1 of Xi'an First City;
- Planned GFA of Phase 5A and GFA sold for all phases;
- GFA completed and GFA under development are based on the relevant government documents or the Target Group's own internal records; and
- information regarding total development costs (including land costs, direct and indirect construction costs, other costs relating to ancillary facilities and capitalised interest), estimated construction commencement date, estimated pre-sale commencement date, estimated completion date, planned construction period, number of buildings and units and ASP. The information setting out the actual construction period and actual pre-sale commencement date of Xi'an First City in this circular is based on relevant government documents or the Target Group's own internal records.

Properties are regarded to be sold when sale and purchase contracts have been executed and the properties have been delivered to the customer. Properties are regarded to be pre-sold when sale and purchase contracts have been executed, but the properties have not yet been delivered to the customer.

Description of Xi'an First City

Details of this project as of 30 June 2014 were as follows:

Outlet shops

Phase 5A of Xi'an First City comprises two parcels of land with a total site area of 70,822 sq.m., and a planned GFA of approximately 382,047 sq.m. and a planned total saleable and leasable area of 270,340 sq.m. and 111,707 sq.m., respectively. Phase 5A will feature avenues of outlet shops, which are intended to attract shoppers and visitors from nearby areas and cities. Discounted outlet shops and ancillary facilities are currently expected to be constructed with a planned total leasable GFA of approximately 50,000 sq.m.. Such outlet components are expected to be leased to targeted tenants including, brand-name retailers of international and domestic labels, selling apparel, sportswear, bags, luggage and footwear products at discounted retail prices.

In addition to the outlet shops, Phase 5A will also comprise a hotel, offices, retail space and car parking spaces. The concept of outlets-backed integrated property projects was originated from overseas factory outlets in the United Kingdom, France, Spain and the United States.

Offices

The offices of Xi'an First City, comprising 6 blocks of high rise office buildings of more than 20 stories, were constructed or are planned to be constructed in Phases 5, 7 and 5A as at 30 June 2014. As at the same date, the offices in Phases 5 and 7 were under construction and has a total GFA under development of 68,541 sq.m. and a total saleable GFA under development of 65,623 sq.m., of which 19,051 sq.m. have been pre-sold and 46,572 sq.m. remained unsold. Construction of the offices in Phases 5 and 7 are expected to be completed in the period between the third quarter of 2014 to the third quarter of 2016. According to the latest development plan of the Target Group as at 30 June 2014, additional offices with a planned total GFA of 164,722 sq.m. will also be constructed in Phase 5A.

Residential properties

As at 30 June 2014, 7 low-rise residential buildings of 11-storey each and 24 high-rise residential buildings of over 30-storey each were completed in Phases 1 to 4 and Phase 6, with a total GFA of 715,880 sq.m. and a total saleable GFA of 692,117 sq.m., of which 643,642 sq.m. had been sold, 26,246 sq.m. had been pre-sold and 22,229 sq.m. remained unsold.

Further, additional residential properties, comprising 4 villas of 6-storey each, 7 low-rise residential buildings of 11-storey each and 4 high-rise residential buildings of over 30-storey each were under construction in Phase 7 of Xi'an First City as at 30 June 2014. Such residential properties had a total GFA under developement of 198,952 sq.m. and a total saleable GFA under

development of 191,282 sq.m. as at 30 June 2014 and are expected to be completed in the period between the end of 2015 to the third quarter of 2016. As at 30 June 2014, 33,155 sq.m. had been pre-sold and 158,127 sq.m. remained unsold.

Retail space

Retail space of Xi'an First City are shop space which are either located in standalone two-storey buildings or within residential and office buildings, which sell products and services mainly catered for the local community in support of their daily necessities and consumption needs. Current owners of the retail space in Phases 1 to 5 include pharmacies, grocery stores, supermarkets, convenience stores, banks, cafes and dinning places.

As at 30 June 2014, a total GFA of 32,340 sq.m. of retail space in Phases 1 to 6 (excluding Phase 5A) had been completed, with a total saleable GFA of 30,231 sq.m., of which 11,917 sq.m. had been sold, 9,880 sq.m. had been pre-sold and 8,434 sq.m. remained unsold. As at the same date, a total GFA under developement of 6,396 sq.m. and a total saleable GFA under developement of 5,395 sq.m. in Phases 5 and 7 were under construction, of which 1,277 sq.m. had been pre-sold and 4,118 sq.m. remained unsold. As at 30 June 2014, the Target Group planned to construct additional retail space in Phase 5A with a planned total GFA of 69,065 sq.m..

Commercial apartments

All commercial apartments of this project have been completed and are concentrated in Phase 5 of this project. As at 30 June 2014, there were 2 blocks of completed commercial apartments, with a total GFA of 82,563 sq.m. and a total saleable GFA of 80,828 sq.m., of which 34,920 sq.m. have been sold, 42,619 sq.m. have been pre-sold, and 3,289 sq.m. remained unsold as at 30 June 2014. The commercial apartments of Xi'an First City had dual functions where they could be used as residential apartments as well as offices.

Hotel

A hotel is planned to be constructed in Phase 5A of this project adjacent to and in support of the outlet shops for shoppers and visitors. Based on the latest development plan of the Target Group, the hotel has a planned total GFA of 48,100 sq.m. and the day-to-day operations of the hotel may be outsourced to third-party hotel management companies.

Car parking spaces

As an integral part of Xi'an First City, car parking spaces were constructed or planned to be constructed in Phases 3 to 7 and Phase 5A. As at 30 June 2014, there were 3,427 car parking spaces with a total GFA of 110,567 sq.m. and a saleable GFA of 107,141 sq.m. in Phases 3, 4 and 6 that were completed, of which 791 car parking spaces of 21,568 sq.m. were sold, 9 car parking spaces of 245 sq.m. were pre-sold and 2,627 car parking spaces of 85,328 sq.m. remained unsold.

Further, 1,972 car parking spaces with a total GFA of 69,174 sq.m. and a total saleable GFA of 69,174 sq.m. were under construction in Phases 5 and 7 as at 30 June 2014. These are expected to be completed in or around 2014 and 2015. As at 30 June 2014, none of the car parking spaces in Phases 5 and 7 were sold or pre-sold. As an essential ancillary facility to the outlet shops proposed to be constructed in Phase 5A of Xi'an First City, 2,496 car parking spaces with a planned total GFA of 87,396 sq.m. will be constructed based on the latest development plan of the Target Group as at 30 June 2014.

Civil defence properties

According to relevant PRC laws and regulations on civil defence properties, new buildings in cities should contain certain basement areas which may be used for civil defence purposes in time of war. As at 30 June 2014, a GFA of 40,679 sq.m. under development consisting of 1,067 car parking spaces in Phase 7 of Xi'an First City will be civil defence areas, the design planning proposal of which has been approved by the civil air defence authorities of the PRC government. In addition, subject to requisite design planning approval having been obtained from the civil defence authorities, 364 car parking spaces with a planned total GFA of 12,764 sq.m. (which are in addition to the 2,496 car parking spaces which will be constructed in Phase 5A not as civil defence areas) will also be constructed in Phase 5A of Xi'an First City as civil defence areas based on the latest development plan of the Target Group as at 30 June 2014.

The civil defence areas in Phase 7 and Phase 5A of Xi'an First City are accounted for as "property under development" and not individually stated in the financial statements of the Target Group and their carrying amount is nil. As at the Latest Practicable Date, the Target Group has obtained the relevant design planning approvals from the civil defence authorities and planning and design authorities of the PRC government for the civil defence areas in Phase 7 and the PRC legal adviser to the Company has advised that commencement of construction of such civil defence areas is in compliance with the Civil Air Defence Law. The civil defence areas planned for Phase 5A are subject to the obtaining of the relevant design planning approvals and construction has not commenced as at the Latest Practicable Date. Subject to obtaining the permit for use of civil defence areas in peace time (人防工程平時使用証) upon completion of construction, the civil defence areas in Phase 7 and Phase 5A of Xi'an First City are intended to be held as properties for leasing and used primarily as car parking spaces in peace time. Such civil defence areas, to be used as car parking spaces, are ancillary facilities and not significant to the Enlarged Group's property portfolio. In accordance with the Civil Air Defence Law, investors in civil defence are permitted to use (including lease), manage the civil defence property in time of peace and profit therefrom. The Enlarged Group will comply with the Civil Air Defence Law and the permit for use of civil defence areas in peace time when obtained in all material aspects when using the civil defence areas in Phase 7 and 5A upon the completion of construction and will consult its external legal advisers as to PRC laws from time to time to ensure compliance.

Kindergarten

As an ancillary or supporting facility to the Xi'an First City development, a 3-storey kindergarten school has been built in Phase 3 of Xi'an First City with a total GFA of 4,500 sq.m. and a total leasable area of 4,144 sq.m., which was leased to an education operator which provides kindergarten schooling to children residing in the local community or near-by areas. According to the relevant lease agreement, the kindergarten school has been leased to the education operator for a term of 15 years at a rent determined with reference to the ancillary nature of the property and the non-profit business nature of the tenant, which is payable on a quarterly basis, with rental payment commencing from 2013. All expenses including utility and property management fees shall be borne by the education operator and the Target Group shall not be responsible for any such fee, or the hygienic conditions, safety or security of the kindergarten school.

PRC permits and certificates

In relation to the PRC permits and certificates relating to land use and property development, save for the properties which are held for future construction, currently under construction or in respect of which the Target Group is currently in the course of applying for the relevant building ownership certificate, the PRC legal advisers to the Company has advised that the Target Group has obtained all requisite land use rights certificates, planning and construction permits, pre-sale permits and building ownership certificates in respect of Xi'an First City. During the Track Record Period, the Target Group did not engage in any land resettlement operations as there was no need to carry out any such resettlement operations when the land on which Xi'an Project is situated was first acquired.

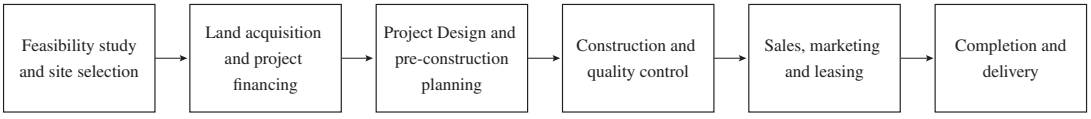
As at the Latest Practicable Date, in relation to Phase 5 and Phase 6 of Xi'an First City, the Target Company has not yet submitted the application for building ownership certificates as the construction for some of the properties in Phase 5 has not been completed and the surveyor engaged by the Company has not yet finished measuring and mapping the car parking and certain retail spaces in Phase 6. As advised by the PRC legal adviser to the Company, according to the Administrative Measures for Sale of Commodity Properties (商品房銷售管理辦法) of the PRC, the Target Company shall engage qualified surveyors to measure the GFA of its completed properties, the result of which shall be used for the purpose of applying for the building ownership certificates with the relevant authorities. As some of the properties in Phase 5 are still under construction, the surveying process and the corresponding application for building ownership process for Phase 5 have not commenced. For the properties in Phase 5 which have been completed and in respect of Phase 6, the PRC legal adviser to the Company has advised that there is no breach of the relevant PRC laws and regulations by the Target Company and if the Target Company applies for the building ownership certificate in accordance with the applicable PRC laws and regulations, there is no material legal impediment for the Target Company to obtain such building ownership certificates upon initial registration with the Xi'an Building Administration Centre. For the properties in Phase 5, which are still under construction, provided that upon completion of construction, the surveying process and the completion acceptance

procedures, and the Target Company applies for the building ownership certificate in accordance with the applicable PRC laws and regulations, the PRC legal adviser to the Company has advised that there is no material legal impediment for the Target Company to obtain such building ownership certificates upon initial registration with the Xi'an Building Administration Centre. For Phase 6, provided that upon completion the surveying process and the Target Company applies for the building ownership certificate in accordance with the applicable PRC laws and regulations, the PRC legal adviser to the Company has advised that there is no material legal impediment for the Target Company to obtain such building ownership certificates upon initial registration with the Xi'an Building Administration Centre. According to the PRC legal adviser to the Company, despite that building ownership certificates for properties in Phase 5 and Phase 6 have not been obtained, the legality of the sales activities was not affected and all unsold properties in these phases can be sold in accordance with the relevant pre-sale permits which have been obtained. The Target Company currently expects to arrange to submit the application for the building ownership certificates upon completion of the construction of the relevant properties, the surveying process and the completion acceptance procedures in respect of Phase 5 and Phase 6.

As advised by the PRC legal adviser to the Company, Xi'an First City has been developed by phases and there is no breach by the Target Company of the stipulated terms and conditions of the land grant contracts in relation to commencement of development and accordingly, there is no issue of idle land under the applicable PRC laws and regulations and there is no risk of forfeiture of the relevant land use rights granted or an idle land penalty being imposed on the Target Company.

PROJECT DEVELOPMENT PROCESS

The Target Group has established systematic procedures of planning and execution to manage all aspects of property development. The Target Group's project development process is generally divided into the following stages:



Project Management

The Target Group has established a three-tier management system comprising the General Manager, the Vice General Managers and the departmental managers. There are in place detailed procedures and policies setting out clear reporting lines and responsibilities to facilitate communications and prompt decision-making. From aspects such as site selection and market research, acquisition of land use rights or project development rights and project financing, to the day-to-day running of the project, project management of the Target Group is conducted through

its various departments, including Project Department (項目部), Design Department (設計管理部), Cost Management Department (成本管理部), Sales and Marketing Department (營銷管理部), Finance Department (財務部) and Central Administration Department (綜合管理部).

Feasibility study and site selection

The Target Group conducts feasibility studies for identifying target locations and potential projects. The feasibility study and site selection process is participated by the Design Department, Project Department, Sales and Marketing Department and Cost Management Department and the process would generally include an assessment of the following:

- size, shape and location of the land parcel, in particular, its proximity and accessibility to and from city centers or business districts;
- the government planning, zoning and development plans, policies and regulations relating to the relevant site and the neighbouring area, demolition and resettlement needs;
- development prospects, taking into account social, economic and environmental effects, local property market conditions and potential for value appreciation;
- the local population, target customers' demand and purchasing power, market positioning, transportation networks, infrastructure and expected growth of the area in which the site is located;
- macroeconomic conditions and financing risks; and
- the development costs and time required, cash flow arrangements and expected financial returns.

Having considered all relevant factors, the Target Group will identify a potential site or project for development and compile a feasibility study report to evaluate the potential risks and return of the investment and potential property demand in that area. Such feasibility report, upon completion of internal review procedures will be submitted to the relevant municipal development and planning commission of the PRC authorities for approval.

Land acquisition

In July 2008, the Target Company, BCL and Xi'an Economic Development Zone Land Bureau entered into a land grant contract relating to the Xi'an Project for a consideration of approximately RMB1.0 billion. The land was acquired through the listing-for-sale process. As at the Latest Practicable Date, the land premium had been fully paid by the Target Company.

For development of future projects, the Enlarged Group may inter alia acquire land for development through the acquisition of land use rights by (i) participating in competitive bidding, public auction and listing-for-sale processes and (ii) the acquisition from third parties of project companies holding developable land parcels. In accordance with the 2002 Regulations as revised on 21 September 2007 by the 2007 Regulations and the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses by Invitation of Bids Auction or Listing (《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》) dated 31 March 2004, the grant of land use rights for operating and developing purposes must be made pursuant to auctions or listing at a land exchange and that no land use rights for operating and developing purposes may be granted by way of agreement after 31 August 2004.

The Enlarged Group will generally follow the following steps in acquiring land from PRC government authorities through the competitive bidding, public auction and listing-for-sale processes:

- obtain information regarding land use rights grants through government notice and public channels;
- participate in open market trading and pay guarantee amount;
- successfully win a bid or auction or successfully make an offer for the land use rights listing for sale;
- sign land use rights grant contract;
- pay land premium;
- obtain land use rights certificates; and
- obtain all requisite permits and approvals from the government.

In conjunction with the acquisition of land interests from the PRC government, property developers in the PRC are required to pay a land premium to the relevant government authority and apply for the land use rights certificate in relation to the land interests. In general, upon the payment of the land premium to the relevant land authorities, land use rights in the PRC are granted in respect of the relevant land parcels for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive-use properties.

Subject to compliance with applicable laws, the Target Group may also negotiate with third parties to acquire land.

Project financing

During the Track Record Period, the Target Group financed the development of Xi'an First City primarily through internally generated funding, such as pre-sale proceeds, and property development bank loans. The Target Group mainly uses proceeds from the pre-sale of its properties to fund the construction costs of the project under development. Proceeds from pre-sale activities form an integral source of operating cash inflows during the project development stage.

The Target Group also raises its financings through bank borrowings. Negotiation of financing arrangements is mainly conducted by the Finance Department of the Target Group. The Target Group will generally take into account a number of factors including availability of internal resources, cost of financing and cash inflow from its operating activities from time to time, for the purpose of determining whether and when external financing should be sought.

As at 30 June 2014, the Target Group's current and non-current bank borrowings amounted to RMB610.0 million. Please refer to the section headed "Financial Information of the Target Group – Indebtedness and contingent liabilities – Bank loans" in this circular for further details. During the Track Record Period and up to the Latest Practicable Date, there had been no material default of any of the bank loans by the Target Group.

Project design

The Design Department (設計管理部) of the Target Group is responsible for planning and determining the master design concept for the project, including aspects on architectural design, layout and decoration and fittings. The team will take into account factors including terms and conditions of land grant, requirements of the land bureau, environmental feasibility and sustainability studies and internal cost management. With the master design concept established, third-party architectural and design firms will be engaged to carry out design work based on the master design concept and the requirements provided by the Target Group.

The external architectural and design firms are typically selected through public tender or tender by invitation. For the purpose of selecting the winning bidder, the Design Department will take into account factors including their proposed detailed design concepts, professional qualification and fees, reputation, technical abilities and past relationship with the Target Group.

The Design Department and monitors the work of the selected architectural and design firm to ensure the project design meets the quality standards, reflects the design concept and desired product positioning. The Project Department (項目部), Cost Management Department (成本管理部) and Sales and Marketing Department (營銷管理部) are also involved in the above process to ensure that project costs can be controlled and the properties are more likely to be accepted by the targeted consumer groups and be in line with the marketing strategies of the Target Group.

The design and planning proposal together with a proposal on the use of land will be submitted to the relevant planning and design authority and the land administration authority of the PRC government, respectively for their approval. Once approved by the relevant PRC government authorities, the development and construction plan becomes the basis for the construction of the project.

Pre-construction planning

Regulatory approvals

According to the PRC regulations, once a property developer has obtained an interest in land for the development of a project, it must obtain various government approvals in order to commence the planning and construction of the relevant properties. In particular, the following permits would be required before construction may commence:

- a construction land planning permit, which allows a developer to conduct the survey, planning and design of a parcel of land;
- a construction works planning permit, which approves the overall planning and design of a project submitted by a developer; and
- a construction works commencement permit, which is required for the commencement of construction.

Construction

The tender process

The Target Group outsources the construction works (including foundation and piling, slope protection, construction and engineering, fitting-out and interior decoration of properties and show flats) to qualified independent contractors which are selected through public tender or tender by invitation 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 "Tender Law & the Rules on the Tender Scope & Criteria for Construction Projects" (《工程建設項目招標範圍和規模標準規定》). The tender process is managed by the Project Department which works closely with the Cost Management Department. Construction contractors are typically selected through public tender or tender by invitation, depending on factors including the contractual amount payable under the relevant construction contract and the total investment amount of the project.

The Target Group has established a selection procedure which sets out the relevant requirements of the tendering process and selection criteria for construction contractors in order to ensure compliance with the Target Group's quality and workmanship standards. Detailed due

diligence on the construction contractors will be conducted during the bidding process and the Target Group will typically take into account the reputation for quality of the bidder, track record, technical abilities and the price quoted by the bidder for assessment.

The winning construction contractor is typically obliged to undertake the construction work in strict compliance with the designs and quality control requirements of the Target Group and to provide regular progress reports to the Target Group for monitoring the construction progress.

Construction contracts

The Target Group enters into construction contracts with its construction contractors. Under the terms of these standardised contracts, the Target Group pays a construction fee in stages and the percentage of payment at each stage may vary from case to case. Generally, upon (i) completion of the construction of the project, (ii) obtaining satisfactory results on the completion acceptance report and (iii) submission of the application documents for a completion filing, the contractor will be paid approximately 85% of the total contractual amount. At closing and settlement, the Target Group will generally settle up to approximately 95% of the total contractual amount, and retain the remaining 5% for a period of two years in general as retention money. The retention money is used to cover any contingent expenses incurred as a result of any construction defects. The duration of the construction contracts will normally depend on the type of construction work and the development schedule of the Target Group. A construction contract may be terminated if the construction contractor fails to comply with the development schedules of the Target Group, rectify construction defects as requested by the Target Group or is otherwise in breach of the relevant terms of the construction contract.

The contractors are required to provide the Target Group with warranties for the quality of the construction works carried out, and the warranty periods are generally of two to five years. Under the terms of the construction contract, a contractor is required to pay penalties in the event of any delay in construction schedule and failure to fulfil quality requirements stipulated in the construction contract. The contractor is also responsible for rectifying any construction defects within the timeframe specified by the Target Group.

The construction contractors are responsible for procuring the main construction materials, including steel, concrete and cement, required for construction. There are provisions in the construction contracts under which the contractual construction fees may be adjusted in accordance with fluctuations in the prices of the materials procured which are over and above a certain percentage threshold, typically between 3% to 5%, depending on the materials procured. In other words, the Target Group bears some of the risks associated with construction materials price movements. Please also refer to the sensitivity analysis for construction costs set out in the section headed "Financial Information of the Target Group – Description of selected income statement items – Cost of sales" of this circular. As the Target Group typically pre-sell properties prior to their completion, it may not be unable to pass on any increases in construction costs to customers if construction costs increase subsequent to such pre-sale. Please refer to the relevant

risks in the section headed "Risk Factors – Increases in construction and development costs may have an adverse impact on the Enlarged Group's results of operations." During the Track Record Period, the Target Group did not experience any material difficulty in engaging construction contractors or any material adjustments in construction fees payable to its construction contractors due to fluctuations in procurement costs of materials for construction.

All construction contractors engaged by the Target Group during the Track Record Period were Independent Third Parties. They have around one year to five years of business relationships with the Target Group.

During the Track Record Period, the Target Group had not been subject to any penalty, material claim, or direct loss resulting from unsatisfactory work performed by its construction contractors or from construction delays.

Procurement of supplies of construction materials

In addition to the main construction materials, including steel, concrete and cement, and other necessary building and fitting-out materials required for construction and interior decoration, which are sourced by the relevant construction contractors engaged by the Target Group, the Project Department also procures supplies for other electrical and utility materials, including elevators, doors and windows, blower fans and water pumps and the related installation services directly from the relevant suppliers, which are Independent Third Parties. The construction materials sourced by the Target Group are primarily purchased from suppliers in the PRC. The procurement of construction materials and equipment is managed generally based on factors including expected development schedules. The Target Group does not normally maintain an inventory for construction materials and equipment and procurement is generally made on an as needed basis.

The Target Group selects its suppliers for its self-procured construction materials through public tender or tender by invitation, depending on factors including the contractual purchase price of the supplies and the total investment amount of the project. The selection criteria for a successful bidder include, reputation and track record of the supplier and price of the supplies. The procurement tendering process is subject to regular internal review and assessment of the Target Group.

The Target Group enters into supply contracts with the selected suppliers for the procurement of electrical and utility materials. The payment methods under the supply contracts vary depending on the types of construction materials procured. Generally, the suppliers are paid in stages, for example upon signing of the supply contracts or upon delivery of the materials, subject to acceptance procedures of the Target Group being completed. After completion of installation and satisfactory inspection procedures by the Target Group, the relevant suppliers will normally be paid approximately up to 95% of the total contract price upon final settlement, and the remaining 5% will normally be retained for a period of two years in general to cover any maintenance expenses. The contract prices under the supply contracts are not normally adjusted

and any price volatility relating to the materials procured will generally be absorbed by the relevant suppliers. The Target Group is not subject to any minimum purchase commitment and has not entered into any long-term supply contracts with its suppliers during the Track Record Period.

The Cost Management Department generally takes lead in the negotiation of procurement prices with the suppliers and the Project Department conducts inspection ensure compliance with the contractual specifications before accepting the materials and approving payment. The Target Group may reject and return to the suppliers any materials which are sub-standard or which do not comply with the relevant specifications.

During the Track Record Period, the Target Group did not experience any shortage or delay in the supply of construction materials that had a material adverse effect on its business operations nor did it experience any material fluctuations in the procurement costs of construction materials.

Quality control

The Target Group places strong emphasis on quality control on its project development process. There are standardised quality control policies and measures in place which apply to different aspects of the development of property projects including fitting-out and construction materials, equipment, utility supplies and environmental protection and the quality of the completed properties.

The Target Group requires its contractors to comply with the relevant PRC laws and regulations relating to construction quality as well as its internal quality control standards and specifications. The Project Department, together with certified third party construction supervisory companies monitor the on-site construction progress regularly and conduct monthly inspections and reviews in accordance with the requirements under the relevant PRC laws and regulations to ensure the quality and safety of the construction works.

The Target Group also conducts inspection and acceptance procedures on all supplies including fitting-out materials and equipment. It typically inspects the quality of supplies to ensure that they meet the required standards. Supplies or equipment that do not meet the required quality standards are not used and are returned to the relevant suppliers. The Project Department comprises qualified engineers and construction technicians, the core members of which possess industry experience of over 10 years. The external supervisory companies also oversee the overall safety and quality of the construction and monitor the construction progress. Under the terms of the standard construction contract, the construction contractors are obliged to follow the quality control procedures and guidelines imposed by the Target Group.

Upon completion of construction and fitting-out of properties, the Project Department will check and inspect the properties to ensure that its condition is satisfactory prior to delivery of such properties to customers.

During the Track Record Period, the Target Group did not have any material disputes with any of its contractors.

Sales, marketing and leasing

Marketing of properties for sale

The Target Group has an in-house Sales and Marketing Department, which engages and works closely with external property sales agents to promote its project for sale. They collaborate to formulate marketing plans based on local market conditions, phase of construction, targeted customers, product positioning and available budget. Together they are responsible for preparing promotional materials, and conduct general promotional campaigns. The means of marketing generally include indoor and outdoor advertising, print materials, the internet and direct engagement with targeted customers.

Sales

The Sales and Marketing Department of the Target Group formulates pre-sales, sales and pricing plans for the approval of senior management. Sales price are usually determined with reference to the sales price of other industry competitors, prevailing market conditions and development costs.

The Target Group holds promotional and sales events at the development project premises and the Sales and Marketing Department invites potential customers to visit show flat units.

The Target Group sells its properties by engaging and working with around two to three external property sales agents within the local region. The Target Group engages property sales agents selected based on criteria including client base, market share, sales quality, level of agency fee, historical performance and reputation of the sales agent.

The Target Group enters into sales agent agreements with the property sales agents on a phase-by-phase basis of the Xi'an Project. The sales agent agreement typically commences at the planning and pre-construction stage of a phase, and expires on the third month after delivery of the properties of the relevant phase of the project or at a specified date agreed between the parties. Typical services provided by the property sales agents include planning and implementation of sales and marketing strategies and promotion plans, providing advice on and proposals on advertising designs, promotion activities and liaising with purchasers regarding the signing of sale and purchase agreements. The sales agents are paid commissions of around 1% to 1.3% of their annual total sales.

During the Track Record Period, the Target Group has worked with three external property sales agents, one of which was owned by BCL as to 14% while the others were Independent Third Parties. As the Enlarged Group will have access to other independent external property

sales agents and the terms of the relevant sales agent agreement with the aforementioned sales agent of which BCL is a shareholder are on normal commercial terms, the Directors consider there to be no material reliance on this sales agent.

Pre-sales

Provided that a pre-sale permit has been obtained and there is a sufficient interest from potential buyers who have expressed their interest by providing a refundable deposit, the Target Group usually commences pre-sale activities prior to completion of construction. The Target Group would arrange the contractor to establish a show flat for the type of property intended to be sold during the pre-sale period.

Sales proceeds received from pre-sales of the Target Group's project are normally used to finance its on-going construction of that project. Such proceeds also form part of the operating cash inflow of the Target Group in support of its on-going project development.

Leasing

During the Track Record Period, a property was leased to an Independent Third Party to operate a kindergarten school. A lease agreement was entered into with the tenant for a term of 15 years, with a fixed aggregate rent of approximately RMB 8,500,000, payable on a quarterly basis. Under the lease agreement, the Target Company has the right to charge penalties in the event of a delay in payment of rent by the tenant and terminate the lease agreement if the delay in payment is over 60 days. The lease agreement is renewable at six-months' notice prior to expiration of its current term.

The outlet shops to be developed in Phase 5A of the project will be held as investment properties for leasing purposes. It is expected that a dedicated leasing department will be established by the Enlarged Group to take on the responsibility for leasing either directly, or through the appointment of property leasing agents.

Through a variety of promotional initiatives for leasing, including launching advertisements on billboards, outdoor media and the internet, the Enlarged Group intends to attract and maintain a diversified mix of quality tenants for its outlet shops, comprising brand-name retailers of international and domestic labels in apparel, sportswear, bags, luggage and footwear products. In order to maximise rental returns and establish long-term and stable relationships with its tenants, the Enlarged Group will carefully plan and select tenants, taking into account the overall positioning of the outlet shops, product types, market demand in surrounding areas, market rent, as well as the background and profile of tenants. The Enlarged Group believes that, with its prudent selection of its tenant base, it would be able to generate steady recurring income and attract more potential tenants, which in turn would enhance the value and returns of its outlets-backed integrated property projects.

Completion and delivery

Customer payment arrangements

The Target Group typically enters into legally-binding sale and purchase contracts with its customers, pursuant to which its customers may elect (i) lump sum payment or (ii) mortgage payment.

Where a purchaser defaults in payment of the purchase price within 30 days following the relevant due date for payment under the sale and purchase contract, such purchaser is obliged to pay a default fee determined based on the outstanding purchase price per day and if the purchaser fails to make the relevant payment after 30 days, the Target Group is entitled to terminate the sale and purchase contract and a default fee determined based on accrued outstanding purchase price.

Where a customer chooses to pay by mortgage payment, the customer is generally required under the sale and purchase contract to pay a down payment in cash of approximately 30% to 60% of the purchase price upon the execution of the sale and purchase contract, with the remaining amount settled by the mortgage loan from the relevant mortgagee banks.

In line with market practice in the PRC, the Target Company has arrangements with various banks for the provision of mortgage facilities to its customers and where required by the banks, provides guarantees in favour of the banks in respect of the mortgage facilities granted by them to the customers.

According to the terms of the guarantees, the Target Company as a guarantor is liable for repaying the mortgage principals together with interests and penalties to the mortgagee banks in the events of defaults by the customers.

The obligations of the Target Company under the guarantees are usually released upon the relevant building ownership certificates having been obtained and delivered to the mortgagee banks, or the settlement of mortgage loans between the mortgagees and the customers of the Target Company. In line with industry practice, the Target Company does not conduct independent credit checks on the customers but rely instead on the credit checks conducted by the mortgagee banks. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the outstanding guarantees in respect of mortgages for customers of the Target Company amounts to RMB737.9 million, RMB698.8 million, RMB1,080.3 millon and RMB1,243.2 million, respectively. During the Track Record Period, where there were incidents of default by customers and the Target Company was required to pay default payment with interests and other charges to the mortgagee banks, the Target Company took possession of the relevant properties and recovered the amounts paid to the mortgagee banks by setting-off against the down payment before refunding the same to the relevant customers. Please refer to the sections headed "Financial Information – Indebtedness and contingent liabilities – Contingent liabilities" and "Risk Factor – Risks relating to property development in the PRC – the Enlarged Group guarantees the mortgages of its

customers and may be liable to the mortgagees in the events of defaults by customers on mortgage payments and the Enlarged Group's business, result of operations and financial condition may be adversely affected" of this circular for more details.

Delivery of properties for sale

The Project Department of the Target Company is primarily responsible for handling delivery of properties to customers and any queries or complaints that the customers may have in relation to the properties delivered to them. The Target Group is committed to delivering properties sold to its customers in a timely manner, in accordance with the delivery timeframe set out in its sales contracts with customers. The Target Group aims to deliver quality properties and satisfactory purchasing experiences to our customers. Prior to delivery of properties to the customers, on-site inspections are conducted by the Project Department to ensure such properties are in satisfactory condition in compliant with the requirements under the relevant PRC laws and regulations. Under the current PRC laws and regulations, the Target Group is required to pass a completion and acceptance inspection prior to delivering properties to its customers. Under a typical sales contract, damages will be payable by the Target Company in the event of delay in delivery.

During the Track Record Period and up to the Latest Practicable Date, the Target Group did not experience any significant delays in completion of its projects or delivery of relevant title documents after sale.

During the Track Record Period, the Target Group received reports regarding minor defects in properties delivered, and such defects had been rectified by the relevant contractors in compliance with the warranty provisions pursuant to the relevant construction contracts with the Target Group. The Target Group provides warranties on the quality of the properties to be sold under the sale and purchase contracts with customers in accordance with the applicable PRC laws and regulations. The warranty periods commence on the day of delivery of the relevant properties and are generally in line with the warranty periods provided by the contractors to the Target Group. The warranties do not cover defects which are not caused by the Target Group or otherwise caused by events not within its control. Save and except for the minor defects which were rectified by the contractors, the Target Group did not receive any material complaints or claims from customers regarding the quality of its properties. The Target Group allows for the return of a property by a customer if the discrepancy in the GFA of the relevant property delivered as compared to the GFA provided in the relevant sale and purchase contract is over 3%. The returns of properties did not have a material adverse impact on the results of operations or financial conditions of the Target Group during the Track Record Period.

SUPPLIERS AND CUSTOMERS

Suppliers

The suppliers of the Target Group primarily include domestic construction contractors and construction materials suppliers in the PRC.

The five largest suppliers of the Target Group, which are primarily construction contractors and construction materials suppliers and all Independent Third Parties, accounted for approximately 73.4%, 76.2%, 61.6% and 51.4% respectively of the Target Group's total purchases for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, respectively. The length of relationship of the five largest suppliers with the Target Group was between one to five years. Purchases from the largest supplier accounted for approximately 53.0%, 53.6%, 39.3% and 22.0% respectively, of the Target Group's total purchases for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, respectively. The above percentages of total purchases attributable by the largest supplier and the five largest suppliers can be explained by the fact that the Target Group has only one property development project during the Track Record Period and accordingly, only a few suppliers were required. These suppliers were selected based on the Target Group's requirements relating to tendering process. The Enlarged Group will have access to alternative construction contractors and other suppliers through its tendering process and accordingly, the Directors consider that there will be no material risk of reliance on suppliers associated with the business operations of the Enlarged Group.

Customers

For the residential properties which were developed for sale, the customers of the Target Group in the Track Record Period were mainly individual purchasers or investors and business enterprises from the PRC, who or which were interested in purchasing homes for self-use or properties for investments. For the commercial properties which were developed for sale, the customers of the Target Group in the Track Record Period were individual entrepreneurs or business enterprises from the PRC, who or which were looking to purchase properties for operating small-scale businesses or for investments. The customers of the Target Group during the Track Record Period were all Independent Third Parties.

For details on the sale and purchase agreement and the payment terms of customers in respect of properties held for sale, please refer to "Project development process – Completion and delivery – customer payment arrangements" in this section.

The five largest customers of the Target Group accounted for approximately 2.8%, 39.4%, 5.9% and 2.2%, respectively, of its total revenue for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, respectively, and were all Independent Third Parties. For the year ended 31 December 2013, one of the top five customers, which was also the largest supplier (accounted for approximately 22.0% of the total purchases in that year)

of the Target Group purchased properties from the Target Group. The contracted sales amount was approximately RMB16.1 million (accounted for approximately 1.3% of the total contracted sales of that year).

The largest customer of the Target Group for the year ended 31 December 2012, an Independent Third Party, accounted for approximately 20.9% of the Target Group's total revenue for that year. The percentage of revenue attributable to this customer was affected by the decrease in GFA sold by the Target Group in 2012 as a result of its project development schedule and given that the purchase was one-off, the Directors accordingly consider there to be no material reliance on this customer. During the Track Record Period, save and except for the year ended 31 December 2012, the percentage of revenue attributable to the five largest customers of the Target Group combined was less than 30%.

None of the Directors and their respective associates or any of the Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital as of the Latest Practicable Date, have any interest in any of the Target Group's five largest suppliers or customers.

AWARDS AND RECOGNITIONS

During the Track Record Period, the Target Group has received recognition from various public sources and bodies in the PRC. The table below sets out some of the major awards received in respect of the Xi'an Project and the Target Company:

Award	Awarding Body
Branded Property Enterprise (品牌房企) in 2013	Tencent Real Estate (騰訊房產)
2013 Model Property Development for Value (2013年價值典範樓盤)	Tencent Real Estate (騰訊房產)
2013 Most Popular Property Development (2013年最具人氣樓盤)	Huashang Bao (華商報)
Housing Reform 15 Years Urban Development Contributing Enterprise (房改十五年城市建設貢獻企業) in 2013	Huashang Bao (華商報)
2013 Annual Reputable and Sales Chart – Best Selling Property Development in Xi'an (2013 年度口碑銷量榜 – 西安旺銷樓盤)	Xi'an Broadcasting Television Station (西安廣播電視台)
2013 Property Development in Xi'an which Received Most Attention from Purchasers (2013年度中國西安最受購房者關注樓盤)	Soho.com (搜狐網), www.focus.cn (搜狐焦點網)

COMPETITION

The Target Group is in the property development industry in the PRC, which is highly fragmented and competitive. The Target Group is in competition with other real estate developers on a broad range of factors, including product quality, product diversity, pricing, brand recognition, financial resources, geographical locations of land reserves and ability to acquire land reserves. The existing and potential competitors of the Target Group include major domestic property developers in the PRC who develop and operate property projects in nearby locations.

In recent years, there has been increased competition among property developers for land available for development in the PRC and the PRC government has implemented a series of policies to control the excessive growth and curtail speculations in the property development sector in the PRC which has intensified competition for land. The Target Group believes that in view of the limited supply of developable sites in the prime locations, one of the major barriers for potential competitors in the industry would be access to land banks in prime and accessible locations with investment value. In respect of Xi'an, entry barriers for potential competitors include limited knowledge of local property market conditions, limited brand recognition and availability of financial resources.

Nonetheless, the Target Group believes that the real estate industry in the PRC still has large growth potentials and the market positioning of outlets-backed integrated property projects is distinguishable from other mixed-use property developers. The Directors also believe that with the capability to offer diverse product types and ability to attract brand-name tenants for its outlet-backed integrated projects, the Enlarged Group would be well-placed to face up to the challenges ahead in the industry.

Please refer to the section headed "Industry Overview" of this circular for more details on the real estate industry in Xi'an and the PRC. The Enlarged Group may also not be able to compete effectively in the real estate industry in the PRC. Please refer to the section headed "Risk Factors – The Enlarged Group faces intense competition from other real estate developers and outlets and commercial property operators which may adversely affect the Enlarged Group's business, results of operations and financial condition" of this circular for details.

AUSTERITY MEASURES ON THE REAL ESTATE MARKET BY THE PRC GOVERNMENT

In the course of the past few years, the PRC government has implemented a series of policies to curb the growth and speculation in the real estate market and to stablise prices. On 26 February 2013, the State Council issued the Notice of the State Council on Continuity to Well Manage the Central Control Work 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》), which includes requirements in the following aspects (i) improving the responsibility mechanism for stabilisation of property prices; (ii) suppressing speculative and investment-oriented property purchases, (iii) increasing supply of ordinary commercial housing and land for residential properties; (iv) accelerating the planning and construction of affordable

housing projects and (v) improving market supervision and anticipation management. For further details, please refer to the section headed "Regulatory Overview – Measures on adjusting the housing supply structures and stabilizing property prices" in Appendix II to this circular.

The Directors believe that the austerity measures may have impact on the demand from speculative purchasers or property investors but nonetheless, there is still a strong demand for self-use properties from first-time purchasers. Furthermore, given the diversity in product mix offered by the Target Group during the Track Record Period – Xi'an First City comprised *inter alia*, offices, retail space, low-rise garden houses and high-rise residential buildings, the Target Group has been able to record a strong revenue income and remained profitable during the Track Record Period notwithstanding the various austerity measures implemented by the PRC government. For the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, the Target Group's total revenue amounted to RMB1,188.3 million, RMB95.4 million, RMB1,211.4 million and RMB1,045.3 million, respectively and its net profit amounted to RMB207.4 million, RMB11.3 million, RMB234.5 million and RMB181.0 million, respectively. However, there is no assurance that the Enlarged Group can maintain its level of revenue income or profits in the future or that future measures or policies by the PRC government will not affect the Enlarged Group's business or financial condition in an adverse manner. Please refer to the section headed "Risk Factors – The Enlarged Group's business is subject to extensive PRC government policies, regulations and measures intended to discourage property speculation which may adversely affect the business of the Enlarged Group" in this circular for further details of the risks involved.

The Enlarged Group targets to maintain a balanced property portfolio. On the one hand, the Enlarged Group will continue with the sales of residential properties and retail space and on the other hand, the Enlarged Group will also hold the outlet shops in its outlets-backed integrated property projects as long-term investment properties for leasing to brand-name retailers. The leasing of outlets shops will enable the Enlarged Group to maintain a recurring rental income and the Directors believe that, with the strategy of maintaining investment properties for leasing and targeting brand-name retailers as tenants, the Enlarged Group can reduce the impact of the austerity measures on its business and financial conditions.

INSURANCE

There are no mandatory provisions under the relevant PRC laws, regulations or rules which require a real estate developer to take out insurance policies for its real estate development projects. The Target Group maintains asset insurance policies for its properties and assets and carry employer's liability insurance for medical and related expenses that its employees may incur as a result of personal injuries at their workplaces or on the construction sites of the Target Group's property development. Pursuant to the construction contracts, the Target Group is obliged to maintain construction work all liability insurance and third party liability insurance covering its

employees and third parties engaged by it to work at construction sites, and the contractors are generally required to maintain construction accident and personal injury insurance for their construction workers.

During the Track Record Period, the Target Group did not maintain insurance policies for properties that have been delivered to customers as the property management company of the project maintained all property risk insurance and public liability insurance for common areas and amenities of these properties.

The Directors are of the view that the existing insurance coverage maintained by the Target Group is in line with market practice of property developers and is adequate for the operations of the Target Group. During the Track Record Period, no material claim was made by the Target Group under its insurance policies maintained. Nevertheless, the Target Group may not have sufficient insurance coverage for all types of losses, damages or liabilities that may arise in the course of its business operations. Please refer to the section headed "Risk Factors – Risks relating to the business of the Enlarged Group – The Enlarged Group may be exposed to certain risks that are not covered by its insurance and any resultant loss may affect the Enlarged Group's operations, financial condition and prospects" in this circular for further details.

INTELLECTUAL PROPERTY

During the Track Record Period, the Target Company has marketed the Xi'an Project under "漫香郡", a trademark registered by the Target Company in the PRC. It is expected that such trademark will continue to be used by the Enlarged Group after Completion. For details of the trademark, please refer to "Statutory and General Information – Further information about the Target Group – Intellectual property rights of members of the Enlarged Group – Registered Trademarks owned by the Target Company" in this circular.

As at the Latest Practicable Date, the Target Group was not aware of any material infringement (i) by it of any intellectual property rights owned by third parties or any related infringement claims; or (ii) by any third parties of any intellectual property rights owned by it.

HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

The Target Group is subject to the PRC laws and regulations regarding labour, social responsibilities, health and safety, insurance and protection of the environment. To ensure compliance with these laws and regulations, the Target Group has internal policies and systems in place, including a safety and environmental management system which sets out steps and mechanisms dealing with safety and environmental issues at specific stages of operations from signing of construction contracts, the carrying out of construction works to quality inspection and completion and delivery. Specific measures implemented by the Target Group to promote social responsibilities, occupational health and safety and environmental protection are detailed below.

Social, occupational health and safety

In relation to social responsibilities, in particular in respect of health, safety and social insurances for employees, the Target Group has entered into employment contracts with all employees in accordance with the relevant PRC laws and regulations. Pursuant to the relevant laws and regulations in the PRC, the Target Group is required to pay and has paid contributions for basic medical insurance, pension insurance, unemployment insurance, maternity insurance and personal injury insurance as well as to housing funds for its employees.

Further, the employee's staff manual of the Target Group contains internal policies and procedures regarding occupational health and safety matters. The Target Group also provides safety training relating to safety management and operations at construction sites for all of its employees to reduce risks of injury or death. Under the construction contracts entered into by the Target Group and the construction contractors, the construction contractors are responsible for health and safety of the construction workers in the construction sites, including the provision to them of necessary health and safety equipment. The construction contracts are also obliged to keep records of accidents and follow established reporting lines to promptly notify the Project Department of the Target Company of accidents occurred.

During the Track Record Period and up to the Latest Practicable Date, the Target Group had been in compliance with the applicable PRC labour and safety regulations in all material respects and there were any incident or complaint which had a material adverse effect on its operations. During the Track Record Period and up to the Latest Practicable Date, there had been no major accident that had resulted in the death or serious injury of any employee of the Target Group and no claim for personal or property damages or compensation had been received by the Target Group. The PRC legal adviser to the Company has advised that, during the Track Record Period, there was no material violation of currently applicable PRC labour and safety regulations nor were there any material employee safety issues involving the Target Group. During the Track Record Period, no fines or penalties for non-compliance of PRC labour and safety laws and regulations were imposed on the Target Group.

Environmental matters

Property developers in China are subject to a number of environmental laws and regulations including the Environment Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of 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 (《中華人民共和國環境影響評價法》) and Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護條例》). Specific environmental laws and regulations which apply to the Target Group would vary from project to project depending on various factors. Pursuant to these laws and regulations, each property development project is required to undergo environmental impact assessments. An environmental impact assessment document must be submitted by the property developer before the relevant authority grants a permit for commencement of construction work

on the property development. As advised by the PRC legal advisors to the Target Group, the Target Company has secured the necessary environmental assessment report for all of the Xi'an Project during the Track Record Period and up to the Latest Practicable Date in accordance with the relevant PRC laws and regulations. In addition, during the completion acceptance procedures, the relevant environmental authorities will also inspect the property to ensure compliance with applicable environmental standards and regulations before the property can be delivered to the purchaser. During the Track Record Period and up to the Latest Practicable Date, the Xi'an Project of the Target Group had been in compliance with the applicable PRC environmental laws and regulations in all material respects and no fines or penalties for non-compliance of PRC environmental laws and regulations were imposed on the Target Group.

Environmental impact assessments and studies are carried out by the Target Group prior to the launch of a project by the Target Group for the purpose of identifying potential sources of pollution and eliminating any potential adverse environmental impact and risk, and to ensure compliance with relevant environmental laws and regulations at the outset. During each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, the Target Group incurred expenses of approximately RMB961,000, RMB1,348,000, RMB1,851,000 and RMB1,007,000, respectively, in relation to compliance with applicable PRC environmental rules and regulations. The Target Group expects it will continue to incur compliance costs in relation to applicable PRC environmental rules and regulations on similar level for the year ending 31 December 2014. As advised by the PRC legal adviser to the Company, the Target Group is in compliance in all material respects with applicable environmental laws and regulations in China and it has obtained all relevant permits and environmental approvals in relation to its project.

EMPLOYEES

As at the Latest Practicable Date, the Target Group had approximately 55 employees based in Xi'an. A breakdown of the Target Group's full-time employees by function as at the Latest Practicable Date is set out below:

Function	**Number of employees**
Project development	19
Cost management	6
Finance	9
Sales and marketing	6
Design	5
Central administration	5
Customer services	5
Total	**55**

The remuneration of the employees includes basic salaries, discretionary bonuses, performance-based rewards, housing and other allowances and retirement benefit scheme contributions. The total amount of employee remuneration of the Target Group for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 amounted to approximately RMB14.2 million, RMB17.0 million, RMB22.5 million and RMB6.4 million, respectively.

The remunerations (including salaries, bonuses, allowances and benefits in kind and pension scheme contribution) of the Target Group's five highest paid employees (including the director of the Target Group) by the Target Group in aggregate for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 amounted to approximately RMB2.5 million, RMB2.4 million, RMB2.2 million and RMB0.9 million, respectively. No other payments or remuneration to the five highest paid employees as an inducement to join or upon joining the Target Group or as a compensation for loss of office have been paid or are payable, or any benefits in kind granted, in respect of each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, by the Target Group.

The Target Group provides in-house training to its employees, including induction training for new joiners, and other training programmes targeting employees of different seniorities at different stages of their career. These training schemes aim at enhancing the employees' knowledge and understanding of the property development industry especially in relation to the development, operation, sale, leasing and management of outlets-backed integrated property projects and commercial property projects and ensuring that the Target Group maintains a leading position in a competitive environment.

The Target Group mainly recruits its employees based on the relevant requirements of the position, the experience and qualifications of the employee and prevailing market conditions at the relevant time. The Target Group generally enters into one-year service agreements with employment agents to provide recruiting services. The employment agents are normally paid on commission basis in stages, after one to three months from the commencement of employment of the relevant employees. The costs of social insurance and housing funds for the employees recruited are borne by the Target Group.

As advised by the PRC legal advisers to the Company, the Target Group had complied with applicable employment laws and regulations in the PRC in all material respects. So far as the Target Group is aware, there had been no material labour disputes or labour related legal proceedings against the Target Group during the Track Record Period.

LEGAL PROCEEDINGS

The Target Group is occasionally subject to legal or arbitration proceedings in its ordinary course of business as a property developer in the PRC. During the Track Record Period, no member of the Target Group had been engaged in any litigation, arbitration or claim of material

importance, and no such litigation, arbitration or claim of material importance are pending or threatened by or against the Target Group that would have a material adverse impact on the Target Group's business, operations and prospects.

REGULATORY COMPLIANCE

Qualifications

The Target Group has obtained the Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書), which is currently in effect and will expire in October 2015.

Historical immaterial non-compliance incident

This section sets out an one-off immaterial non-compliance incident of the Target Group occurred during the Track Record Period. Save as disclosed below, as advised by the PRC legal adviser to the Company, the Target Group has been in compliance with the applicable laws and regulations in the PRC relating to its business operations in all material respects during the Track Record Period.

The Target Group has obtained all the necessary permits, licences, certificates and approvals that are material to its business operations, save as disclosed in this circular. So far as the Company is aware, there are no pending or threatened actions against the Target Group by any regulatory authority in the PRC that are material to its business operations and the Target Group is not currently subject to any penalty imposed by the relevant PRC authorities that are material to its business operations. Based on the disclosures set out in this section below, the Directors are of the view that the non-compliance incident is immaterial and will not have a material adverse effect on the operations and financial conditions of the Enlarged Group as a whole.

Direct enterprise lending

The Target Company lent RMB200 million to an associate of BCL, Beijing Xingtai Jicheng Property Co., Ltd* (北京興泰吉成置業有限公司) ("**Beijing Xingtai**"), pursuant to a loan agreement dated 3 September 2012 between the parties on an interest-bearing basis at the rate of 15% per annum. The loan was made in response to Beijing Xingtai's request for funds to satisfy its operating cashflow requirements at the relevant time and with a subordinate aim of obtaining a return in terms of interest income receivable, on the surplus cash that the Target Company had at the time. The loan was one-off and the principal sum was fully repaid to the Target Company in November 2012, with an interest payment in the amount of RMB5.5 million. According to the Company's PRC legal adviser, Chinese enterprises are not permitted to engage in direct lending without regulatory authorisation. Under the relevant PRC laws, the People's Bank of China has the power to suppress such lending activity and in the case where the loan is interest-bearing, impose a fine on the lender which is equal to one to five times of the interest income received.

As disclosed above, in relation to this historical immaterial non-compliance incident, the potential maximum liability of the Target Company is approximately RMB27.5 million, being the legal maximum limit of five times of the interest income of RMB 5.5 million. As at the Latest Practicable Date, there has been no investigation and/or any fine imposed by the People's Bank of China or any other competent regulatory authority in connection with this incident. As advised by the Company's PRC legal adviser, there is no material risk of the Target Company being fined for this incident, on the grounds that the lending had ceased and there had been no dispute between the parties involved. In addition, BCL has agreed to fully indemnify the Company if the Target Company is required to pay such fine or incurs any liabilities or losses after Completion which are in connection with such historical lending activity. Based on the foregoing, the Directors consider there to be no material adverse impact on the business, results of operations or financial conditions of the Target Company and accordingly, no provision has been made.

Internal control measures to prevent recurrence of non-compliance

In order to prevent any non-compliance in relation to direct enterprise lending, the Target Group has formulated a policy prohibiting lending between members of the Target Group and any other companies (including suppliers and customers) and internal trainings in this respect have been provided to the finance department of the Target Company. A circular was sent to all staff of the finance department emphasising the illegality of such activity and requiring all staff to adhere to such policy.

The Company engaged an independent internal control consultant (the "**Internal Control Consultant**") in December 2013 to perform an overall assessment on certain procedures, systems and internal controls of the Target Group, and in particular to review the internal controls to be established by the Enlarged Group to prevent future breach and enhance on-going compliance with respect to the historical non-compliance incidents as disclosed above.

During the internal control review, the Internal Control Consultant has provided recommendations for management's consideration to enhance and rectify those deficiencies identified in the internal control system, which include remedial measures in respect of the historical non-compliance as disclosed in this section. The Company and the Target Group have implemented such remedial measures in policies and procedures and the Internal Control Consultant has reviewed the remedial status of the identified internal control deficiencies by reviewing the revised policies and procedures in April 2014. The Internal Control Consultant confirmed that, based on the review conducted, all the respective rectifications have been completed and no further deficiencies have been found.

Enhanced internal controls and corporate governance

In order to improve the Enlarged Group's internal control and corporate governance, and to prevent recurrence of non-compliance in the future, the Group and/or the Target Group have adopted or will adopt certain internal control and corporate governance measures, the implementation of which will be supervised by the senior management of the Enlarged Group. In

particular, measures set out in paragraphs 1 to 3 below had been adopted by the Group and/or the Target Group as at the Latest Practicable Date and measures set out in paragraphs 4 to 7 below will be adopted with effect from Completion. Please see below for further information of these internal controls and corporate governance measures:

(1) Mr. Zhong Beichen, executive Director and Chief Executive Officer of the Company will be responsible for supervising the implementation of the internal control and corporate governance measures of the Enlarged Group. Mr. Zhong has over 10 years of experience in the property development industry. Please refer to the section headed "Directors and Senior Management of the Enlarged Group" in this circular for details of his experience and qualifications. Mr. Zhong will follow the requirements on internal controls as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules and report to the Board;

(2) the Target Group has updated and formalised its internal financial reporting manual for records keeping and accounting, its operation system and work flow manuals covering relevant business segments – property development, sales and leasing which set out, among others, division of responsibilities among departments, management principles, detailed work flows and reporting and approval procedures as well as management standards applicable to each business segment;

(3) the Target Group has adopted an internal code of conduct for the employees which sets out the protocols and policies on corporate values, anti-corruption principles, corporate governance, criteria for decision-making and disciplines and behaviours, which all employees are required to strictly follow;

(4) the Audit Committee of the Company with written terms of reference in accordance with Appendix 14 to the Listing Rules will review the internal controls systems and procedures for compliance with the requirements of the Listing Rules;

(5) the Enlarged Group will provide training to its employees to raise their awareness on the importance of internal control, corporate governance and legal compliance;

(6) the Company will appoint external Hong Kong legal advisers to advise it on compliance with the Listing Rules and the applicable Hong Kong laws and regulations; and

(7) the Company has appointed CMB International Capital Limited with effect from Completion as its compliance adviser upon Completion to advise the Enlarged Group on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

Based on the internal control consultant's view and the preventive measures mentioned above and having considered the reasons for the non-compliance incident, the Directors are of the view that the non-compliance incident is immaterial and does not have any material impact on the suitability of the Company for listing under Rule 8.04 of the Listing Rules.

RISK MANAGEMENT

The Directors believe that risk management is one of the key factors to the sustainable development of any property developer in the PRC. Like most of the competitors in the real estate industry, the main operational risks which are faced by the Target Group and will be similarly faced by the Enlarged Group include, changes in PRC regulatory policies, political and economic conditions, availability of suitable land sites and future financing for future development, ability to complete development projects on time, increase in development costs and competition from other property developers. Please refer to the section headed "Risk Factors" in this circular for further discussions on the risks and uncertainties entailed.

Furthermore, there are also market risks associated with the Target Group, including interest rate risks, credit risks and liquidity risks, which arise in its ordinary course of business operations. For a more detailed discussion on the various market risks, please refer to the section headed "Financial Information of the Target Group – Quantitative and qualitative disclosures about market risks" in this circular.

The risk management strategies of the Target Group currently consist of cautionary internal measures to identify and monitor risks in both operational management and financial management. The operating departments of the Target Group is responsible for identifying and reporting the risks associated with their respective functions.

Management of operational and financial market risks

In relation to operational risks faced by the Target Group, control measures are in place at the operational level. For example, for risks associated with construction delays and quality control, the Target Group has in place selection procedures and requirements of the tendering process for construction contractors and suppliers of its main construction materials and the Target Group conducts regular inspection procedures before the acceptance of its supplies of construction materials and maintains monthly on-site supervision on development schedules and quality control checks during the construction development process. For risks associated with increase in development costs, the Target Group controls its construction costs by entering into standardized construction contracts with its main construction contractors which contain express provisions that require the construction contractor to bear certain fluctuations in prices of construction materials procured and pay penalties in the event of a delay in construction schedule.

In relation to financial market risks, the Target Group faces cash flow interest rate risks in respect of its floating rates bank borrowings. The Finance Department closely and regularly monitors any interest rate fluctuations and makes decisions accordingly. The Target Group has in place a set of financing management policy and bank account management policy for effective control of interest rate risk and the Finance Department monitors and assesses the interest rate risks associated with the bank borrowings and bank balances and take appropriate actions to mitigate such interest rate risks and reduce costs of capital including, considering hedging significant risk exposure should the need arise.

To manage liquidity risks, the Target Group has adopted a set of funds planning management policy and cash management policy which set out internal requirements for monitoring and maintaining a level of cash and cash equivalents deemed appropriate by the management for purpose of financing operations and maintaining sufficiency of cash flow. The various departments prepare and submit their monthly cash requirement plans to the Finance Department for review and assessment and the Finance Department prepares a consolidated monthly cash requirement plan to the Target Group for review and approval by the general manager finance manager of the Target Group.

Further, the Target Group faces credit risks primarily in respect of potential defaults in payment of the contracted purchase price by its customers. The Finance Department regularly monitors receivables of the Target Group to identify potential risks of default. In addition, in line with market practice in the PRC, the Target Company has entered into guarantee contracts with various commercial banks for the provision of mortgage facilities to its customers and the mortgagee banks generally conduct credit checks and income proof checks prior to approval of the mortgage loan. Therefore the Target Group would normally rely on the credit checks conducted by the mortgagee banks, which is in line with industry practice, and the Target Group generally trades with recognized and creditworthy individuals.

Furthermore, for more effective risk management of the Enlarged Group, the following structures and measures are adopted:

- The Board, as the highest corporate governance body of the Enlarged Group, will be responsible for determining the business plans and strategies and be in charge of the overall risk control of the Enlarged Group. Where material risks are involved, the business decisions will be considered and if appropriate, approved at the Board level to ensure that the relevant risks are reviewed and assessed by management with the relevant experience so that an informed and collective decision can be made in the interest of the Enlarged Group as a whole;

- The senior management team of the Enlarged Group will be responsible for monitoring the risks arising from day-to-day business operations and supervising the daily operations of the different internal departments. They are in charge of the supervision and approval of business decision-making by operational staff relating to different aspects of the Enlarged Group's operations. The Enlarged Group will have established internal procedures setting out reporting lines and responsibilities with a view to effectively identify risks involved and facilitate internal communications. Where material risks are identified and a high-level decision making is required by the Board, the senior management team will report promptly to the Board; and

- The Enlarged Group will continue to adopt the operation system and work flow manuals formulated by the Target Group for various aspects of the property development process outlets and commercial property operation processes and will also provide training to its employees in order to increase their awareness of risk identification and mitigation, enhance their knowledge of the Enlarged Group's culture and management expectations, with a view to maintaining integrity and better manage the operational and market risks which may arise.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Get Thrive held 65.1% of the issued share capital of the Company. Get Thrive is wholly-owned by Rueyyuan Holding, which is in turn wholly-owned by Beijing Ruiyuan. BCL, is the sole shareholder of Beijing Ruiyuan and accordingly, through its wholly-owned subsidiaries, Beijing Ruiyaun, Rueyyuan Holding and Get Thrive, BCL had an indirect interest in 65.1% of the issued share capital of the Company. Upon Completion (assuming no CPS has been converted), Get Thrive will be indirectly interested in approximately 65.1% of the issued share capital of the Company, and accordingly, BCL, Beijing Ruiyuan, Rueyyuan Holding and Get Thrive will continue to be the controlling shareholders of the Company.

BCL is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). BCL Group engages in developing and investing in commercial properties, outlets-backed integrated properties and medium to high-end residential properties, operations of hotels, property consulting services and investment holding. Beijing Ruiyuan is a company established in the PRC and engages in property development. Rueyyuan Holding is a company incorporated in Hong Kong and it is an investment holding company. Get Thrive is an investment holding company and an indirect wholly-owned subsidiary of BCL.

For the year ended 31 December 2013, BCL Group recorded revenue of approximately RMB11,320.8 million and contracted sales of approximately RMB19.6 billion and for the six months ended 30 June 2014, BCL Group recorded revenue of approximately RMB4,519.3 million and contracted sales of approximately RMB6.8 billion. As at 30 June 2014, BCL Group has 52 property development projects in cities around the PRC other than the Target Cities (as defined below), comprising residential projects and integrated residential and commercial complexes. According to the interim results announcement of BCL for the six months ended 30 June 2014, as at 30 June 2014, BCL Group had a total land bank of GFA of approximately 11,173,601 sq.m. and above-the-ground GFA to be sold of approximately 9,218,468 sq.m.. Apart from the Enlarged Group, BCL will, after Completion, continue to hold interests in other property development projects through its other subsidiaries.

DELINEATION BETWEEN THE ENLARGED GROUP AND BCL GROUP

Geographical Delineation

The businesses of the Enlarged Group and the BCL Group are clearly delineated based on their geographical locations. After Completion, the Enlarged Group will conduct its business only in 17 selected cities in the PRC – Xi'an, Hangzhou, Nanjing, Jinan, Changsha, Fuzhou, Wuhan, Hefei, Kunming, Zhengzhou, Nanchang, Nanning, Changchun, Harbin, Suzhou, Xiamen and Dalian in the PRC (collectively called, the **Target Cities**) and BCL Group will conduct its business in non-Target Cities in the PRC. There is no overlapping city among the Target Cities

and the non-Target Cities in which BCL Group will operate in. Such geographical delineation is targeted to ring-fence the operations of the Enlarged Group from any potential operations from the BCL Group.

The Target Cities are carefully selected based on the following criteria:

- **Geographical locations.** The Target Cities are cities in which BCL Group does not currently have any property development projects as at the Latest Practicable Date or have any current intention to expand into.

- **Scale and nature of cities**. All Target Cities are second-tier cities in the PRC which are officially classified by the PRC government either as:

  (i) provincial capital cities (省會城市), such as Xi'an, Hangzhou, Nanjing, Jinan, Changsha, Fuzhou, Wuhan, Hefei, Kunming, Zhengzhou, Nanchang, Nanning, Changchun and Harbin;

  (ii) prefectural level city (地級市), such as Suzhou; or

  (iii) state-plan designated cities (計劃單列城市), such as Xiamen and Dalian.

- **Economy and growth potentials**. All Target Cities are selected for their sizeable regional economies and high growth potentials. The selected Target Cities each has a population of 5 million or above (save for Xiamen which has a population above 3 million) and a local GDP of over RMB200 billion. The population and GDP support demand for future growth of housing, commercial and retail activities and generate a strong purchasing power for consumer products. The Target Group aims to exploit the fast growing potentials and purchasing power possessed by the Target Cities to develop in particular, the outlet shops, offering a cosmopolitan shopping life-style to the affluent population in or around the Target Cities.

- **Accessibility.** All Target Cities are selected for their accessibility. They are supported with extensive transportation networks such as highways and/or railway, allowing mass transit and convenience of access. Accessibility is important for the development of outlets-backed integrated property projects as it is intended that the outlets shops will be the anchor of the development to attract visitors and shoppers from areas or cities nearby. It is intended that the outlets-backed integrated property projects in each Target City will be able to attract population from surrounding areas which are within one-hour traveling time and the population within an one-hour traveling time radius of each Target City is estimated to be approximately 20 million.

The Directors consider that the geographical delineation set out above is effective in ring-fencing the business of the Enlarged Group from that of the BCL Group. The Target Cities and the non-Target Cities are separated in terms of geographical distance apart, modes of transport by

air, rail or road and traveling time in between. Daily commutes, transportation, locations of retail customers and business clients and education are factors which generally deter individuals and businesses to readily relocate from one city to another. The Enlarged Group and BCL Group will operate exclusively in the Target Cities and the non-Target Cities respectively and as such, the Directors believe that the property development business of BCL Group will not pose competition to the Enlarged Group.

Measures to minimise future potential competition between the Enlarged Group and BCL Group

Non-Competition Deed

(1) Non-competition undertaking by BCL not to compete in Target Cities

In order to achieve the geographical segregation between the property development projects of BCL Group and the Enlarged Group and minimise any potential competition arising therefrom, on [•] BCL and the Company entered into the Non-Competition Deed. Under the Non-Competition Deed, BCL has undertaken in favour of the Company (for itself and on behalf of its subsidiaries) that conditional upon Completion and during the term of the Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall (other than through the Enlarged Group), directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any development, sale, lease and management of any property projects ("**Property Business**") in any of the Target Cities.

The non-competition undertaking by BCL under the Non-Competition Deed does not apply to (i) the holding of securities by BCL (or any member of BCL Group) in any company engaged in Property Business in any of the Target Cities, whose securities are listed on a recognised stock exchange provided that BCL (or any member of the BCL Group) is not in control of the board of such company and it is not interested in more than 5% of the issued share capital of such company; and (ii) the acquisition or holding of property by BCL Group for self-use.

(2) Non-competition undertaking by the Company not to compete in non-Target Cities

In consideration of the non-competition undertaking by BCL under the Non-Competition Deed, the Company will undertake in the Non-Competition Deed in favour of BCL (for itself and on behalf of its subsidiaries) that conditional upon Completion and during the term of the Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any Property Business in any non-Target Cities in the PRC.

The non-competition undertaking by the Company under the Non-Competition Deed does not apply to (i) the holding of securities by the Company (or any member of the Enlarged Group) in any company engaged in Property Business in any non-Target Cities in the PRC, whose securities are listed on a recognised stock exchange provided that the Company (or any member

of the Enlarged Group) is not in control of the board of such company or interested in more than 5% of the issued share capital of such company; and (ii) the acquisition or holding of property by the Enlarged Group for self-use.

The Non-Competition Deed is conditional upon Completion and approval by the independent shareholders of BCL in general meeting. Capital Group, which holds approximately 45.58% of the total issued share capital of BCL as at the Latest Practicable Date, and its close associates (including BCG), and Reco Ziyang and its close associates and any person who has a material interest will abstain from voting in the relevant resolutions. The Non-Competition Deed shall terminate on the earlier of (i) the date on which BCL (or its subsidiaries, including Get Thrive) ceases to be interested in, directly or indirectly, 50% of the entire issued share capital of the Company or (ii) the date on which the Shares of the Company cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange for any reason).

Review of the Non-Competition Deed between the Enlarged Group and BCL Group

During the term of the Non-Competition Deed, it is expected that the Company and BCL will review half-yearly or from time to time as considered to be required, the Company's and BCL's respective portfolio of property projects in the Target Cities and the non-Target Cities, respectively in the PRC and consult each other to determine if adjustments are required to be made to the geographical delineation between the Enlarged Group and the BCL Group (the "**Review**"), based on the following principles:

(a) If the Enlarged Group ceases to have or does not have at the time of the Review, Property Business in any Target City, BCL will continue to comply with the Non-Competition Deed as if the Enlarged Group has Property Business in such city and will not conduct any Property Business in any such Target City;

(b) If BCL Group ceases to have or does not have at the time of the Review, any Property Business in any non-Target City, BCL may take up any new business opportunity to participate in the Property Business (the "**New Business Opportunity**") in any such non-Target City. If BCL decides not to take up the New Business Opportunity, BCL shall provide a right of first refusal ("**New Business Right of First Refusal**") to the Company to pursue the New Business Opportunity in the non-Target City by giving the Board a notice in writing, setting out all relevant information, including the particulars of companies, businesses or properties to be acquired, consideration involved and other proposed terms of the New Business Opportunity, for the Company to consider whether or not to pursue the New Business Opportunity. The Company shall notify BCL in writing within 60 days after the receipt of such notice from BCL, its decision as to whether the New Business Opportunity is accepted or declined. The independent non-executive Directors will be responsible for making the decision as to whether or not to pursue the New Business Opportunity based on factors including (i)

the prospects and strategic positioning of the business or properties to be acquired, (ii) the consideration payable, (iii) the prevailing property market positions and (iv) government policies and development plans. Please also refer to "Corporate governance measures adopted by the Company" in this section for details of the role of the independent non-executive Directors in the Review. The taking up of the New Business opportunity by the Enlarged Group, if any, will be subject to compliance with the relevant requirements under the Listing Rules; and

(c) In respect of any Property Business of BCL Group in a non-Target City which BCL Group has intentions to sell at the time of the Review, BCL shall provide the Board with a notice in writing, granting the Enlarged Group with a right of first refusal (the "**Existing Business Right of First Refusal**") to acquire the property projects or interest held by BCL Group in such Property Business upon the same terms and conditions as a third-party purchaser would have offered to BCL Group. BCL shall set out all relevant terms and information relating to the Existing Business Right of First Refusal, including companies, business or properties to be acquired and consideration involved for the Company to consider. The Company shall notify BCL in writing within 60 days after the receipt of such notice from BCL, whether or not it wishes to acquire the Property Business from BCL. The independent non-executive Directors will be responsible in making the decision as to whether or not to acquire the Property Business from BCL based on factors including (i) the development prospects of the business or properties to be acquired, (ii) other comparable opportunities in the property market and (iii) the consideration payable. Any such acquisitions of Property Business by the Enlarged Group will be subject to compliance with the relevant requirements under the Listing Rules. If BCL has received a notice from the Enlarged Group declining the Existing Business Right of First Refusal or it has not received any notice from the Enlarged Group within 60 days of its notice to the Enlarged Group above-mentioned, it shall be entitled to sell the Property Business to any third party.

The Review is expected to be carried out by the Company and BCL jointly during the term of the Non-Competition Deed. Any adjustment or amendment to the material terms of the Non-Competition Deed, including the change in the number and/or composition of the Target Cities and the rights of the Company and BCL in relation to the Property Business in the Target Cities and non-Target Cities respectively, will be subject to the approvals of the independent non-executive directors and independent shareholders of both the Company and BCL.

Business Delineation

Different business positioning

The businesses of the Enlarged Group and BCL Group are further delineated by their different business positioning. Following Completion, the Enlarged Group and BCL Group are expected to have their own respective focuses in different property segments in different cities in the PRC. The Enlarged Group will be developing outlets-backed integrated property projects and commercial property projects in the PRC. The Acquisition represents the first step of the Company expanding into the real estate sector in the PRC and the Enlarged Group will be expanding into selected Target Cities in the PRC by acquiring land from the PRC government and third parties to develop outlets-backed integrated property projects and commercial property projects. The business focus of the Enlarged Group will not include the development of property projects consisting solely of residential properties.

BCL Group will continue to engage in the development of residential property projects, commercial property projects and outlets-backed integrated property projects after Completion. It will carry on operating its existing outlets-backed integrated property projects in Beijing, Kunshan, Huzhou and Hainan ("**Existing BCL Outlets**"). The Existing BCL Outlets are not included in the Acquisition for regulatory and commercial reasons set out below.

Reasons for exclusion of the Existing BCL Outlets

The Existing BCL Outlets are excluded from the Acquisition for two reasons (i) the outlets backed integrated property projects in Beijing and Kunshan are held through an onshore investment structure by BCL and the transfer of such onshore assets would require the approval of the CSRC and the SASAC pursuant to the Notice of the State Council Regarding the Further Strengthening of the Administration of the Share Issuance and Listing of Joint Stock Company outside the Mainland (《國務院關於進一步加強在境外發行股票和上市管理的通知》). Given that there are no specific guidelines on the timing and review procedures to be undertaken by CSRC under the relevant PRC laws, and the review procedures can be long and the result may be uncertain, BCL has no current intention to inject the outlets-backed integrated property projects in Beijing and Kunshan into the Enlarged Group in the near future unless the relevant laws have changed or circumstances permit; and (ii) the locations of the outlets-backed integrated property projects in Huzhou and Hainan are not aligned with the development strategies of the Enlarged Group, and accordingly, BCL has no current intention to inject these two projects into the Enlarged Group in the near future.

Despite that BCL Group will continue to operate the Existing BCL Outlets, they will not compete with the Xi'an Project or other outlets-backed integrated property projects to be developed by the Enlarged Group as the projects are separated by geographical distance and locations in the PRC. The Existing BCL Outlets will be operated by project companies of BCL and managed by personnel of BCL Group independently of the Enlarged Group.

Future development of outlets-backed integrated property projects

Going forward, between the Enlarged Group and BCL Group, the Enlarged Group will be the main platform for the development of any new outlets-backed integrated property projects. Pursuant to the geographical delineation set out above, new outlets-backed integrated property projects in the Target Cities will be developed and operated by the Enlarged Group following Completion. For new outlets-backed integrated property projects in non-Target Cities, BCL may grant a right of first refusal to the Company to pursue such new business opportunities under the mechanism of the Review of the Non-Competition Deed, further details of which are set out under "Review of the Non-Competition Deed between the Enlarged Group and BCL Group".

INDEPENDENCE FROM THE BCL GROUP

(a) Management independence

The business and operations of the Enlarged Group will be managed by the Board and the senior management of the Company independently of BCL Group after Completion. Upon Completion, the Board will have seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors.

Over-lapping directors

Among the seven Directors on the Board, one executive Director and two non-executive Directors are also directors of BCL and will remain in their directorships in BCL after Completion. Details of the roles and responsibilities of the over-lapping directors who will continue to have roles in BCL are disclosed in the following table.

	Director	The Company	BCL
1	Mr. Tang Jun (唐軍)	Chairman and executive Director	President and executive director
	Responsibility	Overall management of the operations of the Enlarged Group	Considering and approving significant decisions for BCL Group
2	Mr. Liu Xiaoguang (劉曉光)	Non-executive Director	Chairman and executive director
	Responsibility	Overseeing the overall performance of the Enlarged Group	Strategic planning, considering and approving significant decisions for BCL Group

	Director	The Company	BCL
3	Mr. Wang Hao (王灝)	Non-executive Director	Non-executive director
	Responsibility	Overseeing the overall performance and strategic planning of the Enlarged Group	Overseeing the performance of BCL Group

Mr. Tang Jun, the Chairman and executive Director of the Company, is one of the three common directors between the Company and BCL. Upon Completion, Mr. Tang will be responsible for the overall management of the operations of the Enlarged Group in a high-level manner only and will not be in charge of day-to-day operational matters. He also does not hold any directorship in the Target Group as at the Latest Practicable Date. Mr. Tang holds the positions of the President and executive director of BCL.

Mr. Liu Xiaoguang and Mr. Wang Hao, both non-executive Directors, also hold positions in BCL as indicated in the table above. As they are non-executive Directors, who primarily oversee the overall performance and strategic planning of the Company, they will not participate in the daily management of operations of the Enlarged Group nor will they be required to have a full-time commitment to the business of the Enlarged Group. Neither Mr. Liu nor Mr. Wang hold any directorship in the Target Group as at the Latest Practicable Date.

The Directors consider that for the following reasons, the management of the Enlarged Group will be able to function independently from BCL Group upon Completion, notwithstanding that some of the Directors will continue to hold positions in BCL:

(i) four out of seven members of the Board will not hold any position in BCL upon Completion. Accordingly, a majority of the members of the Board will be independent from BCL and the Directors who will continue to hold positions in BCL will not, whether acting alone or collectively, have an absolute majority to pass any resolution of the Board;

(ii) the day-to-day operation of the Enlarged Group will principally be managed by Mr. Zhong Beichen, the Chief Executive Officer and executive Director, with the support of a team of experienced management. Mr. Zhong has over 10 years of experience in the property development industry and possesses in-depth operational experience in managing commercial property projects and outlets-backed integrated property projects in the PRC. Since September 2011, Mr. Zhong has been the general manager of the Commercial Property Development Department of BCL but will resign from such position with BCL with effect from

Completion. He will devote his full time and attention to manage the business operations of the Enlarged Group and lead the Enlarged Group with his industry experience in commercial property development. Mr. Zhong and the senior management team, being Mr. Zhang Haibin, Mr. Zhang Jun and Mr. Sun Ning, who have had the requisite skills and experience in the development of commercial property projects and outlets-backed integrated property projects will resign from their respective positions in BCL Group and join the Enlarged Group as full-time employees and officers with effect from Completion;

(iii) the chairman and executive director of BCL, Mr. Liu Xiaoguang and the non-executive director of BCL, Mr. Wang Hao will not actively participate in the daily management and operations of the Enlarged Group as they are non-executive Directors. The common executive director, Mr. Tang Jun, will only be involved in the overall management of operations of the Enlarged Group in a high-level manner;

(iv) there will be no over-lapping of senior management personnel between the Enlarged Group and BCL Group. Mr. Zhang Haibin, Mr. Zhang Jun and Mr. Sun Ning will resign from their respective positions in BCL Group upon Completion and be employed as full-time employees of the Enlarged Group. They will be independent from the employment by and operations of BCL. The Enlarged Group will accordingly have its own senior management team, who will bring with them experience in the operations of outlets-backed integrated property projects and commercial property management;

(v) three out of seven Directors, ie. over one-third of the Board, are independent non-executive Directors and there is no overlap in the independent non-executive Directors of the Company and BCL, which is in line with corporate governance best practice in Hong Kong. All three independent non-executive Directors are independently appointed to the Board and do not have obligations to BCL. None of the independent non-executive Directors have any position or role previously in the BCL Group and none of the criteria of affecting independence under Rule 3.13 of the Listing Rules apply to them. The independent non-executive Directors either have appropriate academic qualifications or extensive experience in their respectable specialty areas, and have been appointed for the diversity in skills and background they may add to the Board. The independent non-executive Directors are expected to bring impartial and independent judgment to the Board and to take the lead in matters to be discussed by the Board where potential conflicts of interests (between BCL and the Company) may arise. In addition, all members of the Audit Committee and the majority of the members of the Nomination Committee and Remuneration Committee of the Company are independent non-executive Directors; and

(vi) the Company has in place arrangements and corporate governance measures to manage actual or potential conflicts of interest, ensure independent decision-making, safeguard the protective measures under the Non-Competition Deed, and ultimately, protect the interests of the Shareholders. For example, the common director(s) of BCL and the Company will, in case of any conflict of interest arising, abstain from voting on the relevant resolution(s) in the relevant meeting of the Board and/or the board of directors of BCL, as the case may be, in accordance with and subject to the articles of association of the Company and BCL, as well as the applicable rules and regulations of the PRC and the Cayman Islands laws. Pursuant to the Articles, a Director shall not vote (nor be counted in the quorum) on a resolution of the Board approving any contract or arrangement in which he or any of his associates is materially interested. Independent non-executive Directors who have no material interest in the transaction should be present at all Board meetings at which such transaction is to be resolved. Furthermore, the independent non-executive Directors will be reviewing the compliance of BCL with the Non-Competition Deed and taking charge of the process of the Review to ensure that impartial and independent decisions will be made in the interest of the Shareholders as a whole. For further details of the corporate governance measures adopted, please refer to "Corporate governance measures adopted by the Company" in this section.

The Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Enlarged Group independently, and the Directors are of the view that the Enlarged Group is capable of managing its business independently from BCL Group after Completion.

(b) Financial independence

The Directors consider that the Enlarged Group will be able to maintain financial independence from BCL Group for the following reasons:

(i) the Enlarged Group will have its own financial and accounting system independent of BCL Group and accounting functions and financial decision making will be carried out by the Enlarged Group independently and according to its own business needs and financial conditions;

(ii) during the Track Record Period, the Target Group has demonstrated its ability to raise financings from commercial banks by providing properties under development and time deposits as security without any credit support from the BCL Group, save in respect of the guarantee granted by Shenyang Capital (defined below in this section), the details of which are set out below in this section, which will be released and discharged on or prior to Completion. Please refer to the section headed "Financial

Information of the Target Group – Indebtedness and contingent liabilities – Bank loans" of this circular for further details. The Directors accordingly believe that the Enlarged Group will be able to obtain new financings and extend existing financings from commercial banks on comparable terms without guarantee or other security from the BCL Group following Completion;

(iii) the centralised cash management policies of BCL will discontinue and cease to apply to the Enlarged Group after Completion and although the Target Group has received funds during the Track Record Period from related parties, which comprise members of BCL Group, the amounts involved have been fully repaid and settled without credit support from any member of BCL Group. Based on the amounts involved, there was no financial reliance by the Target Group on advances from members of BCL Group during the Track Record Period; and

(iv) the Target Group has generated profit for the year or period of RMB234.5 million and RMB181.0 million for the latest audited financial year ended 31 December 2013 and six months ended 30 June 2014, respectively, and net cash from operating activities of RMB452.9 million for the year ended 31 December 2013. Further income from sales activities are expected from properties in Phases 5 to 7 and Phase 5A. The Enlarged Group will have capacity to raise sufficient funds for the development of its property projects.

As at 31 July 2014, being the latest practicable date (for the purpose of determining indebtedness of the Target Group), Shenyang Capital Xinzi Real Estate Company Limited*(沈陽首創新資置業有限公司)("**Shenyang Capital**"), an associate of BCL, granted a guarantee to secure bank borrowings of the Target Company of an aggregate balance of RMB260.0 million and the Target Company also granted a guarantee to secure bank borrowings of Shenyang Capital of an aggregate balance of RMB279.0 million. All such guarantees will be released and discharged on or prior to Completion. Upon Completion, the Enlarged Group is not expected to rely on any new guarantee, loan or other financial assistance from the BCL Group.

(c) Operational independence

The Directors consider that the Enlarged Group will operate independently of BCL Group, taking into account the following reasons:

(i) the operations of the Enlarged Group and BCL Group will be physically separated by geographical locations. The Enlarged Group will operate exclusively in Target Cities and BCL Group will operate exclusively in non-Target Cities;

(ii) sales and procurement activities will be independently carried out by the Enlarged Group and there will not be any centralised sales or procurement arrangements between the Enlarged Group and BCL Group. The Enlarged Group will enter into relevant contracts to directly engage third party construction contractors, suppliers or

other service providers for the various stages of property development, for example, it will also enter into construction contracts and supply contracts to engage construction contractors and suppliers, respectively for the development of its property projects and procurement of construction materials necessary for its operations. It will also enter into sales agent agreements to engage sales agents to promote the sales of its properties;

(iii) the Enlarged Group will have an independent work force to carry out the development of property projects and is operationally independent from BCL Group. It will establish its own operational and organization structure with dedicated departments and management personnel to run daily operations. The Enlarged Group will have its own employees equipped with the relevant skills to run the ordinary course of its business and a management team which possesses the requisite expertise in outlets-backed integrated property projects and commercial property projects. The management team will be led by Mr. Zhong Beichen, the Chief Executive Officer and executive Director of the Enlarged Group, who has over 10 years of property development experience and over 3 years of expertise in the development of outlets-backed integrated property projects and commercial property projects in particular;

(iv) the management team of the Enlarged Group will also have, through its tendering process, direct and independent access to suppliers, sales agents, design firms and construction contractors and will not rely on BCL Group to establish or maintain its business relationship with these third parties or conduct sales or procurement activities; and

(v) the Enlarged Group also possesses all material licences, approvals and permits to carry on and operate its business independently of BCL Group.

During the Track Record Period, the Target Group paid consulting fees of RMB16.0 million, RMB13.0 million, RMB22.0 million and RMB19.0 million to BCL for consulting services relating to sales and marketing strategies and property development strategies provided to the Target Group. To maintain operational independence of the Enlarged Group, no further consulting services will be obtained from BCL Group after Completion and the Enlarged Group will have its own strategic and planning team under the leadership of the Strategic Committee of the Board.

The Enlarged Group has entered into the Office and Administrative Cost-sharing Agreement with BCL on [•], details of which are set out in the section headed "Continuing Connected Transaction" in this circular. The transaction contemplated under the Office and Administrative Cost-sharing Agreement relates to the sharing of certain administrative costs which do not have a direct impact on the property development operations and the transaction is exempt from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. As such, the Directors consider that the Enlarged Group will be able to operate and carry on its business independently of BCL Group after Completion.

Any future continuing connected transactions with the BCL Group will be entered into on normal commercial terms in the ordinary course of business, and to the extent where they constitute non-exempt continuing connected transaction will be reviewed by the external auditors of BCL and of the Company and the independent non-executive directors of both BCL and the Company and reported on in the respective annual reports of BCL and the Company.

CORPORATE GOVERNANCE MEASURES ADOPTED BY THE COMPANY

The Directors believe that there are adequate corporate governance measures in place to manage any potential conflicts of interest and ensure compliance with the Non-Competition Deed by BCL. In addition, the Company has adopted the following corporate governance measures to further strengthen protection of the interests of the Shareholders:

(i) the Company 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 a strong independent element on the Board, which can effectively exercise independent judgment. The 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, together possess the requisite industry knowledge and experience for their views to carry weight. The majority of the 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 the 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 BCL and its subsidiaries), will abstain from participation in any board meeting when matters relating to any rights granted in favour of the Company under the Non-Competition Deed by BCL or any other connected transactions pursuant to contractual arrangements with BCL or its subsidiaries are discussed, unless his attendance is requested by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

(iii) the independent non-executive Directors will review the compliance by BCL and enforcement of the Non-Competition Deed on an annual basis. BCL Group will provide all information requested by the Enlarged Group which is necessary for such review by the independent non-executive Directors and the Enlarged Group will disclose such matters received by the independent non-executive Directors in its annual reports or by way of announcements;

(iv) the independent non-executive Directors will take lead in the Review and in particular, to consider and decide whether or not the Enlarged Group would (a) exercise the New Business Opportunity Right of First Refusal to pursue any New Business Opportunities and/or (b) exercise the Existing Business Right of First Refusal to acquire the Property Business from BCL, and to consider and approve any amendment to the material terms of the Non-Competition Deed and make recommendations to Independent Shareholders;

(v) BCL will make an annual declaration on its compliance with the Non-Competition Deed in the annual report of the Company and ensure that the disclosure of details of the compliance with and the enforcement of the Non-Competition Deed is consistent with the principles of disclosure under the Corporate Governance Code contained in Appendix 14 to the Listing Rules;

(vi) as required by the Listing Rules, the independent non-executive Directors will review any non-exempt continuing connected transactions annually and confirm in the 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 favourable to the Enlarged Group than those available to or from independent third parties and are on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and

(vii) the Company has appointed CMB International Capital Limited with effect from Completion as its compliance adviser who will provide it 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.

CONTINUING CONNECTED TRANSACTION

OVERVIEW

Upon Completion, any transactions between the Enlarged Group and the BCL Group (which for the purpose of this section, includes the associates of BCL) will constitute connected transactions or continuing connected transactions of the Company.

THE CONNECTED PERSONS

BCL, through its wholly-owned subsidiary Get Thrive, was indirectly interested in 65.1% of the issued share capital of the Company as at the Latest Practicable Date. Upon Completion, BCL will remain to be indirectly interested in approximately 65.1% of the total issued Shares of the Company (prior to any conversion of CPS) and will continue to be the controlling shareholder of the Company. BCL, together with other members of the BCL Group and their respective associates, will continue to be the Company's connected persons under Chapter 14A of the Listing Rules.

SUMMARY OF CONTINUING CONNECTED TRANSACTION AND LISTING RULES IMPLICATIONS

Rule 14A.98 – fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements

It is expected that, upon Completion, the following transaction will constitute an exempt continuing connected transaction of the Company under the Listing Rules.

Sharing of office premises in Hong Kong and other administrative costs with BCL

It is proposed that upon Completion, BCL will share with the Enlarged Group, the usage and costs of its office premises in Hong Kong and other administrative costs. BCL and the Company have, on [•], entered into an agreement with respect to the sharing at cost basis of (i) the rent payable in relation to the lease for the office premises in Hong Kong; and (ii) administrative expenses including rates, utility and office equipment charges and management fees in connection with the shared use of the office premises in Hong Kong and shared administrative and secretarial staff and staff training services (the "**Office and Administrative Cost-sharing Agreement**") for a term commencing from the Completion Date until 31 December 2016. Pursuant to the Office and Administrative Cost-sharing Agreement, the Company shall pay BCL an annual amount representing the proportional amount of rent for the office space it has occupied and the proportional amount of costs of the administrative services it has used, on a cost basis. Such agreement may be terminated by either party giving to the other not less than one month's notice in writing.

CONTINUING CONNECTED TRANSACTION

Under the Office and Administrative Cost-sharing Agreement, the annual rent and administrative expenses payable by the Company to BCL shall equal to a proportion of 30% of the aggregate of (i) annual rent of the office premises in Hong Kong payable by BCL from time to time and (ii) administrative expenses including rates, utility and office equipment charges and management fees and shared administrative and secretarial staff and staff training services. The proportion of 30% is determined by the parties with reference to the approximate floor area in the office premises which will be occupied exclusively by the Enlarged Group after Completion for use as a percentage of total floor area of the office premises, and the actual shared services to be used by the Enlarged Group after Completion. Based on the aggregate of rent and administrative expenses of BCL for the year ended 31 December 2013, the initial annual amount payable by the Company to BCL is currently expected to be approximately HK$2 million subject to any changes as notified by BCL.

The Company considers that the sharing of the office premises and other administrative costs with BCL is conducted in the ordinary and usual course of business based on the commercial needs of the Enlarged Group and the BCL Group. As the rent and the administrative expenses will be shared between BCL and the Company on a cost basis, the on-going transactions under the Office and Administrative Cost-sharing Agreement will constitute exempt continuing connected transactions of the Company upon Completion under Rule 14A.98 of the Listing Rules. Accordingly, the transactions under the Office and Administrative Cost-sharing Agreement will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

CONFIRMATION FROM THE DIRECTORS

The Directors are of the view that (i) the Office and Administrative Cost-sharing Agreement has been entered into in the ordinary and usual course of business of the Company and (ii) the Office and Administrative Cost-sharing Agreement and the transactions contemplated therein have been negotiated on an arm's length basis, and as the basis for cost allocation is fair and equitable (the proportion of 30% is determined with reference to approximate floor area in the office premises to be occupied by the Enlarged Group and the actual shared services to be used by the Enlarged Group), the Office and Administrative Cost-sharing Agreement is on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS

The Board will consist of seven Directors upon Completion, comprising two executive Directors, two non-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:

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Company
Mr. Tang Jun (唐軍)	55	Chairman of the Board and executive Director	overseeing overall management and operations of the Enlarged Group and chairman of the Nomination Committee	21 December 2013	21 December 2013
Mr. Zhong Beichen (鍾北辰)	39	executive Director and Chief Executive Officer	overseeing daily operations and management of the Enlarged Group and a member of the Strategic Committee	21 December 2013	21 December 2013
Mr. Liu Xiaoguang (劉曉光)	59	non-executive Director	overseeing the overall performance of the Enlarged Group and a member of the Remuneration Committee	21 December 2013	21 December 2013
Mr. Wang Hao (王灝)	47	non-executive Director	overseeing the overall performance and strategic planning of the Enlarged Group and chairman of the Strategic Committee	21 December 2013	21 December 2013
Dr. Ngai Wai Fung (魏偉峰)	52	independent non-executive Director	chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee	21 December 2013	21 December 2013
Ms. Zhao Yuhong (趙宇紅)	46	independent non-executive Director	chairperson of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee	21 December 2013	21 December 2013
Mr. He Xiaofeng (何小鋒)	58	independent non-executive Director	a member of each of the Audit Committee and Strategic Committee	21 December 2013	21 December 2013

EXECUTIVE DIRECTORS

Mr. Tang Jun (唐軍), aged 55, was appointed as an executive Director and Chairman of the Board and the chairman of the Nomination Committee with effect from 21 December 2013. Mr. Tang has been appointed as an executive director and the president of BCL, the controlling shareholder of the Company, since November 2002 to present. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission*（北京市發展計劃委員會）from June 1986 to July 1989 and the Beijing Composite Investments Company*（北京市綜合投資公司）from July 1989 to October 1995, both being government affiliated bodies and principally engaged in property and infrastructure planning and development. From October 1995 to May 2004, Mr. Tang was the legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company*（北京陽光房地產綜合開發公司), a wholly-owned subsidiary of Capital Group principally engaged in property development. Mr. Tang also serves as the chairman of Yang Guang Co., Ltd.*（陽光新業地產股份有限公司）(formerly known as Guangxi Hu Wei Co., Ltd.*（廣西虎威股份有限公司)) (Stock Code: 000608), a company whose shares are listed on the Shenzhen Stock Exchange and principally engaged in property development, since October 1997 to present and a director of Hua Yuan Co., Ltd.*(華遠地產股份有限公司)(Stock Code: 600743), a company whose shares are listed on the Shanghai Stock Exchange and principally engaged in property development, since October 2008 to October 2011. Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology*（合肥工業大學）in Hefei, PRC in September 1982.

Mr. Zhong Beichen (鍾北辰), aged 39, was appointed as an executive Director, Chief Executive Officer and a member of the Strategic Committee with effect from 21 December 2013. Since September 2011 to present, Mr. Zhong has served as general manager of the Commercial Property Development Department and an assistant president of BCL and has also served from December 2011 to December 2013, as vice-president of BCL. He joined BCL Group in June 2000 and served as an architect of Beijing Sunshine Real Estate Comprehensive Development Company*（北京陽光房地產綜合開發公司）from June 2000 to December 2002 and the deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd.*（北京安華世紀房地產開發有限公司）and Beijing Sunshine City Real Estate Development Co., Ltd.*（北京陽光城房地產有限公司）from January 2003 to December 2007. These companies are principally engaged in property development. Mr. Zhong served as the general manager of the Product R&D Centre of BCL from January 2008 to August 2011. He has also served as an architect of the Planning and Design Institute of the Department of Light Industry of the PRC*（中國輕工業部規劃設計院), a government affiliated body and principally engaged in construction planning and design, from July 1996 to May 2000. Mr. Zhong graduated from Xiamen University*（厦門大學）in Xiamen, PRC and obtained his Bachelor's degree in Architecture in July 1996.

NON-EXECUTIVE DIRECTORS

Mr. Liu Xiaoguang (劉曉光), aged 59, was appointed as a non-executive Director and a member of the Remuneration Committee with effect from 21 December 2013. Mr. Liu has been appointed as an executive director and the chairman of BCL since December 2002 to present. Mr. Liu has been appointed as the chairman of Capital Group since January 2013. Mr. Liu also served as deputy chairman and deputy general manager of Capital Group since November 1995 to present, and served as its general manager from August 2000 to January 2013. Prior to his appointment with Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as a member of the Development and Planning Commission of the Beijing Municipality*（北京市發展計劃委員會）from February 1983 and its deputy director from January 1994, both until November 1995. Since August 1999 to present, Mr. Liu has served as the chairman of Beijing Capital Co., Ltd.*（北京首創股份限公司）(Stock Code: 600008) ("BCCL"), which is a subsidiary of Capital Group principally engaged in wastewater treatment, water works construction and the production and distribution of tap water and a company listed on the Shanghai Stock Exchange. Mr. Liu is also an executive director of Capital Environment Holdings Ltd (formerly known as New Environmental Energy Holdings Limited) (Stock Code: 3989), a company principally engaged in waste management solutions and environmental infrastructure, since May 2011 to present and China Development Bank International Investment Limited (formerly known as New Capital International Investment Limited) (Stock Code: 1062), a company principally engaged in securities and equities investments, since March 1994 to present. Both are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce*（北京商學院）, which was merged into the Beijing Technology and Business University*（北京工商大學）, in Beijing, PRC in January 1983.

Mr. Wang Hao (王灝), aged 47, was appointed as a non-executive Director and the chairman of the Strategic Committee with effect from 21 December 2013. Mr. Wang has been appointed as a non-executive director of BCL since September 2013 to present. Mr. Wang is a senior economist, a professor and a mentor for doctoral students. In January 2013, Mr. Wang joined Capital Group as the deputy chairman and general manager. Prior to his appointment with Capital Group, from July 1990 to February 2000, Mr. Wang had worked for Beijing Coal General Company*（北京市煤炭總公司), now known as Beijing Golden Tide Group Co., Ltd.*（北京金泰集團有限公司）and a company principally engaged in fuel supply and real estate, and became its deputy general manager in December 1994. Since February 2000 to March 2001, he served as the deputy head of Beijing Offshore Financing and Investment Management Center*（北京市境外融投資管理中心), which was merged into Beijing State-owned Assets Management Co., Ltd.*(北京市國有資產經營有限責任公司)and a company principally engaged in investment management of state assets. During March 2001 to July 2001, he served as the director and deputy general manager of Beijing State-owned Assets Management Co., Ltd.*(北京市國有資產經營有限責任公司), a company principally engaged in investment management of state assets. From July 2001 to November 2003, he served as the director and deputy general manager of Beijing Metro Group Company Ltd.*（北京地鐵集團有限責任公司), a company principally engaged in subway operations and development. From November 2003 to December 2009, he served as the deputy general manager, director and managing director of Beijing Infrastructure Investment Corporation Limited*（北京市基礎設施投資有限公司), a company principally engaged in infrastructure investments. From September 2009 to January 2013, he served as the deputy head of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*（北京市國有資產監督管理委員會), a government affiliated body principally engaged in supervising asset management. Mr. Wang is also a director of BCCL (see above) since September 2013 to present. Mr. Wang obtained his master degree in engineering at Fuxin Mining Institute*（遼寧阜新礦業學院), now known as Liaoning Technical University*（遼寧工程技術大學）in Liaoning, PRC in April 1994, and a doctoral degree in economics at School of Economics of Peking University*（北京大學經濟學院）in Beijing, PRC in January 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung (魏偉峰), aged 52, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee with effect from 21 December 2013 to present. Since January 2011 to present, Dr. Ngai is the chief executive officer of SW Corporate Services Group Limited, a specialty corporate and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider from June 2005 to September 2010. Dr. Ngai has over 20 years of senior management experience, most of which are in the areas of finance, accounting, internal control and regulatory compliance for listed issuers including major red chip companies. He is a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants from February 2013 to present and the Adjunct Professor of Law of Hong Kong Shue Yan University from September 2012 to present and a member of the General Committee of The Chamber of Hong Kong Listed Companies from June 2014 to present. Dr. Ngai was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission since January 2013 to present. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom since March 2012 to present, a member of the Hong Kong Institute of Certified Public Accountants since July 2007 to present, a fellow of the Institute of Chartered Secretaries and Administrators since November 2000 to present, a fellow of the Hong Kong Institute of Chartered Secretaries since November 2000 to present, a fellow of Hong Kong Institute of Directors since February 2010 and a member of Hong Kong Securities and Investment Institute since November 2012 to present. Dr. Ngai obtained a Doctoral degree in Finance at Shanghai University of Finance and Economics*（上海財經大學）in Shanghai, PRC in June 2011, a Master's degree in Corporate Finance at Hong Kong Polytechnic University in Hong Kong in November 2002, a Master's degree in Business Administration at Andrews University in Berrien Springs, Michigan, USA in August 1992 and a Bachelor's degree in Law at University of Wolverhamption in Wolverhamption, the United Kingdom in October 1994.

Dr. Ngai is currently an independent non-executive director and the member/chairman of the audit committee of China Coal Energy Company Limited (Stock Code: 01898), China Railway Construction Corporation Limited (Stock Code: 01186), China Railway Group Limited (Stock Code: 00390), BaWang International (Group) Holding Limited (Stock Code: 01338), Biostime International Holdings Limited (Stock Code: 01112), Bosideng International Holdings Limited (Stock Code: 03998), Powerlong Real Estate Holdings Limited (Stock Code: 01238), SITC International Holdings Company Limited (Stock Code: 01308), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 00631) and LDK Solar Co., Ltd. (LDK). He was the independent non-executive director of China Life lnsurance Company Limited (Stock Code: 02628) from December 2006 to May 2009 and Franshion Properties (China) Limited (Stock Code: 00817) from May 2007 to June 2011. Apart from LDK Solar Co., Ltd., which was listed on the New York Stock Exchange (now listed on the OTC Pink Limited Information), all the above companies are listed on the Main Board of the Stock Exchange.

Reference is made to the Company's announcement dated 26 February 2014, disclosing that LDK Solar Co., Ltd. (of which Dr. Ngai is an independent non-executive director) has made a filing on 21 February 2014 with the Grand Court of the Cayman Islands for the appointment of joint provisional liquidators in connection with its plans to resolve its offshore liquidity issues as announced on 24 February 2014. The amount involved in the aforesaid proceeding includes (i) RMB 1,700,000,000 in aggregate principal amount of the Renminbi-denominated US dollar-settled 10% Senior Notes due in 2014 issued by LDK Solar Co., Ltd. on 28 February 2011 and (ii) US$240,000,000 in original investment amount of series A redeemable convertible preference shares of par value US$0.10 each, issued by LDK Silicon & Chemical Technology Co., Ltd., a subsidiary of LDK Solar Co., Ltd. on 3 June 2011. So far as the Company is aware, the proceeding is still in progress. LDK Solar Co., Ltd. is not related to the Group, the Target Group and their respective operations.

Ms. Zhao Yuhong (趙宇紅), aged 46, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 21 December 2013. Ms. Zhao has worked as an Associate Professor of Faculty of Law, The Chinese University of Hong Kong ("CUHK") since August 2008 to present. Ms. Zhao was the Assistant Dean (UG Student Affairs) and Associate Dean (Undergraduate Studies) of Faculty of Law at CUHK from September 2008 to August 2010 and from September 2010 to July 2013, respectively. Ms. Zhao was a Lecturer and then Assistant Professor of School of Law at City University of Hong Kong from January 1996 to June 2002 and from July 2002 to August 2006, respectively. From September 2006 to July 2008, Ms. Zhao served as an Assistant Professor of School of Law at CUHK. Ms. Zhao obtained her Bachelor of Arts degree in English Language and Literature and Bachelor of Laws degree from Peking University*（北京大學）in Beijing, PRC in July 1991. Ms. Zhao obtained her Master of Studies in Law degree with Magna Cum Laude from Vermont Law School in South Royalton, Vermont, USA in February 1993 and PhD degree in Law from City University of Hong Kong in Hong Kong in November 2000.

Mr. He Xiaofeng (何小鋒), aged 58, was appointed as an independent non-executive Director and a member of each of the Audit Committee and Strategic Committee with effect from 21 December 2013. Mr. He studied in the School of Economics of Peking University*（北京大學經濟學院）in Beijing, PRC from February 1978 to July 1984 and graduated with a Bachelor's degree in January 1982 and a Master's degree in Economics in July 1984. He is currently the professor of the Department of Finance, School of Economics of Peking University*（北京大學經濟學院金融學系）and has been so since August 2000, a doctoral supervisor and has been so since August 2001 and a director of the Research Center of Financial and Industrial Development of Peking University*（北京大學金融與產業發展研究中心）and has been so since August 2005. He has taught in the School of Economics of Peking University*（北京大學經濟學院）since July 1984 to present. He has also held various positions including council member of China Enterprises Investment Association (中國企業投資協會) and deputy director of Financial Enterprises Investment Committee* (金融企業投資委員會) since June 2006 to present, vice-chairman of Beijing Private Equity Association*(北京股權投資基金協會) since June 2008 to

present, independent director of Qinghai Sunshiny Mining Co., Ltd.*(青海賢成礦業股份有限公司) (Stock Code: 600381), a company listed on the Shanghai Stock Exchange, from April 2013 to January 2014, independent director of E Fund Management Co., Ltd.*(易方達基金管理有限公司) from July 2010 till present and a director of Beijing Qingchang Power Technology Co., Ltd.*(北京清暢電力技術股份有限公司) (Stock Code: 430057), a company listed on the agency share transfer system of the Shenzhen Stock Exchange, from May 2012 till present.

Save as disclosed in this circular, none of the Directors had any other directorships in any listed companies during the last three years immediately prior to the Latest Practicable Date and none of the Directors are aware of any other matters in relation to his or her appointment that need to be brought to the attention of the Shareholders nor is there any other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

The following persons will be the senior management of the Company:

Name	Age	Position	Roles and responsibilities	Effective date of position	Date of joining the Enlarged Group
Mr. Zhang Haibin (張海濱)	49	Director of Commercial Property Operations of the Company, chairman of board of directors and general manager of the Target Company	overseeing the business operations of the Enlarged Group	Completion Date	Completion Date
Mr. Zhang Jun (張軍)	46	Director of Commercial Property Development	overseeing the business operations and project development of the Enlarged Group	Completion Date	Completion Date
Mr. Sun Ning (孫寧)	35	Director of Financial Operations	overseeing the accounting and financial affairs of the Enlarged Group	Completion Date	Completion Date

Mr. Zhang Haibin (張海濱), aged 49, was appointed as the Director of Commercial Property Operations of the Company on 3 September 2014, and the appointment will take effect from the Completion Date. Mr. Zhang was a principal staff member of the Legislative Affairs Commission of the Standing Committee of Beijing Municipal People's Congress*(北京市人大常委會法工委)from July 1985 to September 1993. During the period from October 1993 to

November 2000, he consecutively acted as the office manager of Beijing Integrated Investment Company Jinyang Real Estate Company* (北京市綜合投資公司金洋房產公司), a company principally engaged in construction project investment and property development, the office manager of Beijing Lida Transportation Development Co., Ltd.* (北京力達交通發展有限公司), a company principally engaged in investment in transport infrastructure and property development, and a director and the deputy general manager of Beijing Zhengbang Investment Management Co., Ltd.*(北京正邦投資管理有限公司), a company principally engaged in investment management. Mr. Zhang joined Beijing Capital Technology Investments Co., Ltd.*(北京首創科技投資有限公司), a company principally engaged in investment management, in December 2000 and served as a director and the deputy general manager of Beijing Baishanyuan Real Development Co., Ltd.*(北京百善園房地產開發有限公司), a company principally engaged in property development until March 2003. In March 2003, he joined BCL as the general manager of the president's office at the headquarters. Since November 2005, Mr. Zhang has been responsible for the management of BCL's subsidiaries and joint venture companies operating in different cities in the PRC such as Taiyuan, Xi'an, Wuxi and Nanjing. Such companies were principally engaged in property development and sale and/or investment asset management. Mr. Zhang was appointed as the general manager and the chairman of the board of directors of the Target Company in January 2008 and December 2013, respectively. Mr. Zhang obtained his Graduate degree in law from China University of Political Science and Law* (中國政法大學)in Beijing, PRC in July 2002.

Mr. Zhang Jun (張軍), aged 46, was appointed as the Director of Commercial Property Development of the Company on 3 September 2014, and the appointment will take effect from the Completion Date. Mr. Zhang was a technical director of the Ministry of Railway Electrification Bureau* (鐵道部電氣化工程局)from August 1991 to July 1993. During August 1993 to May 2008, Mr. Zhang consecutively acted as the manager of civil engineering of Beijing Junefield Real Estate Development Co., Ltd* (北京莊勝房地產開發有限公司), a company principally engaged in real estate development, the deputy general manager of the engineering department of Jitong Network Communications Company Limited*(吉通網絡通信股份有限公司), a company principally engaged in the operation of China Golden Bridge Network* (中國金橋信息網)and the business of international networking of computer information networks, and the general manager of the engineering department of Beijing Junefield Real Estate Development Co., Ltd* (北京莊勝房地產開發有限公司). In May 2008, Mr. Zhang joined BCL and served as the deputy manager of the operations management centre. He served as the deputy general manager of the Foshan outlets project of BCL from November 2009 to March 2010 and the general manager of the Beijing Fangshan outlets project of BCL from March 2010 to October 2013. In August 2012, BCL established the commercial real estate department and appointed Mr. Zhang as the department's deputy general manager in charge of business development. Mr. Zhang obtained his Bachelor degree in industrial and civil construction engineering from Changsha Railway University* (長沙鐵道學院), which was merged into Central South University (中南大學) in Changsha, PRC in July 1991 and a Master degree in project management from Tsinghua University* (清華大學) in Beijing, PRC in July 2007.

Mr. Sun Ning（孫寧）, aged 35, was appointed as the Director of Financial Operations of the Company on 3 September 2014, and the appointment will take effect from the Completion Date. Mr. Sun joined BCL in July 2002 and had served as a senior manager and an assistant general manager of the financial management centre. He served as the deputy general manager of Beijing Capital Land Chengdu Co., Ltd., a subsidiary of BCL operating in Chengdu and a company principally engaged in the development, management and leasing of property, from May 2008 to January 2010. During the period from February 2010 to August 2012, Mr. Sun consecutively acted as the deputy general manager and the general manager of the financial management centre of BCL. In August 2012, BCL established the commercial real estate department and appointed Mr. Sun as the department's deputy general manager in charge of financial operations. Mr. Sun obtained his Bachelor degree of Arts in economics from the University of Colorado in Colorado, USA in December 2000 and a Master degree of Science in financial aspects of decision management from the University of Luton in Luton, United Kingdom in March 2002.

In addition, the senior management will also be supported by a team of operational management staff who are responsible for the daily operations of the Target Group. The core members of the operational management staff comprise among others, Mr. Jin Chun (金春), Mr. Tai Zhe (太哲) and Mr. Wang Guoliang (汪國良), who have served in their respective positions in the Target Company throughout the Track Record Period. The operational management staff have been involved in the day-to-day operations, project development and accounting and financial matters of the Target Group during the Track Record Period.

COMPANY SECRETARY

Ms. Wong Chi Mei (黃智美), aged 30, joined the Company on 2 July 2014 and was appointed as the company secretary of the Company with effect from 3 September 2014. Before joining the Company, Ms. Wong had served various companies listed on the Main Board of the Stock Exchange. She has experience in corporate listing and has gained extensive experience in the company secretarial field. She has in depth knowledge in corporate governance, compliance, legal and accounting areas. Ms. Wong is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She obtained a Master of Laws from City University of Hong Kong in July 2012 and a Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in November 2008.

NON-COMPETITION

The Directors have confirmed that for reasons as disclosed in this section and the section headed "Relationship with Controlling Shareholders" in this circular, they and their 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.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee include making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, reviewing the financial statements and significant judgements in respect of financial reporting and reviewing and overseeing financial reporting system and internal control procedures of the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely, Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng. It is currently chaired by Dr. Ngai Wai Fung, an independent non-executive Director.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, make recommendations to the Board on appointment or re-appointment of executive and non-executive Directors and succession planning for Directors, and to assess the independence of independent non-executive Directors.

The Nomination Committee currently consists of one executive Director and two independent non-executive Directors, namely, Mr. Tang Jun, Dr. Ngai Wai Fung and Ms. Zhao Yuhong. It is currently chaired by Mr. Tang Jun, an executive Director.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, reviewing remuneration proposals of the management with reference to the Board's corporate goals and objectives and ensuring none of the Directors or any of their associates determine their own remuneration.

The Remuneration Committee currently consists of one non-executive Director and two independent non-executive Directors, namely, Mr. Liu Xiaoguang, Dr. Ngai Wai Fung and Ms. Zhao Yuhong. It is chaired by Ms. Zhao Yuhong, an independent non-executive Director.

STRATEGIC COMMITTEE

The Company has established the Strategic Committee for the purpose of advising on the long-term development strategies and major investment decisions of the Company on 21 December 2013.

The Strategic Committee currently consists of three members, namely Mr. Zhong Beichen, an executive Director, Mr. Wang Hao, a non-executive Director and Mr. He Xiaofeng, an independent non-executive Director. It is currently chaired by Mr. Wang Hao, a non-executive Director.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and the senior management of the Company are or will be paid compensation in the form of fees, salaries, contribution to pension schemes and other allowances and benefits in kind. The emolument for each of the Directors is determined by the Board according to the recommendation of the Remuneration Committee with reference to his/her qualifications, experience, responsibilities with the Company and the remuneration policy of the Company from time to time. As at the Latest Practicable Date, none of the executive Directors and non-executive Directors received any emolument for his directorship in the Company, and each of the independent non-executive Directors was entitled to an emolument of HK$276,000 per annum for his/her directorship in the Company pursuant to each of their letters of appointment entered into with the Company. The remuneration of Mr. Zhong Beichen, the executive Director and Chief Executive Officer of the Company, will be determined in due course and disclosed in the Company's next annual report, this remuneration will be determined with reference to his job complexity, work load and responsibilities within the Enlarged Group and the remuneration policy of the Company from time to time. The remuneration of the senior management of the Company will be determined in due course with reference to their respective experience, roles and duties within the Enlarged Group.

It is expected that after Completion, the Board will review and determine the remuneration of the Directors and senior management of the Enlarged Group according to the above remuneration policy.

The remunerations (including fees, salaries, bonuses, allowances and benefits in kind and pension scheme contribution) paid to the Directors by the Group in aggregate for the three years ended 31 March 2014 were approximately HK$0.61 million, HK$2.4 million and HK$2.0 million, respectively.

The remunerations (including fees, salaries, bonuses, allowances and benefits in kind and pension scheme contribution) paid to the Group's five highest paid individuals by the Group in aggregate for the three years ended 31 March 2014 were approximately HK$1.0 million, HK$2.4 million and HK$2.9 million, respectively.

Save as disclosed above, no other payments or remuneration to the Directors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office have been paid or are payable, or any benefits in kind granted, in respect of the years ended 31 March 2012, 2013 and 2014, by the Group.

Based on the existing remuneration package, the Company estimates the aggregate remuneration payable to, and benefits in kind receivable by, the Directors in respect of the year ending 31 March 2015 to be the sum of approximately HK$0.8 million and the remuneration of Mr. Zhong Beichen which will be determined in due course.

The Company has adopted a share option scheme on 14 March 2012 and as at the Latest Practicable Date, no options have been granted under the scheme. If considered appropriate and approved by the Board, the Enlarged Group may offer share options under the existing share option scheme of the Company to the Directors, senior management and employees of the Enlarged Group.

TRAINING FOR DIRECTORS

Pursuant to the Corporate Governance Code, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and that they are kept updated on the changes in the applicable laws and regulations and the overall development of the operations of the Company.

COMPLIANCE ADVISER

The Company has appointed CMB International Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where the business activities, developments or results of the Enlarged Group deviate from any forecast, estimate or other information in this circular; and

(d) where the Stock Exchange makes an inquiry of the Company of unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term 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 adviser resigns or its agreement is terminated, whichever is earlier. Where the compliance adviser resigns or its agreement is terminated earlier, the Company shall appoint a replacement compliance adviser within three months of the resignation or termination.

EMPLOYEES OF THE GROUP

As at the Latest Practicable Date, the Group had approximately 88 employees. The staff costs (including Directors' remuneration) incurred by the Group for the three years ended 31 March 2014 were approximately HK$6.7 million, HK$10.3 million and HK$9.9 million, respectively.

The Group contributes to the social insurance in the PRC and the mandatory provident fund scheme in Hong Kong for eligible employees, and also provides medical insurance, work-related personal injury insurance, maternity insurance and unemployment insurance in the PRC, in accordance with the relevant laws and regulations in the PRC. The Company has enrolled in a mandatory provident fund scheme for the eligible employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations. Please refer to the section headed "Statutory and General Information – Service contracts – Remuneration and benefits" for details.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that an issuer has sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Since most of its operations will be in China, the Enlarged Group will not, on Completion or in the foreseeable future, have sufficient management presence in Hong Kong. Currently, all of the executive Directors reside in China and will continue to do so after Completion. The Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver under Rule 8.12 of the Listing Rules.

Notwithstanding that upon Completion, the Company will not have at least two executive Directors who are ordinarily resident in Hong Kong, the following will allow the Company to maintain regular communications with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules:

(i) The Company will have at least two independent non-executive Directors who ordinarily reside in Hong Kong;

(ii) Mr. ZHONG Beichen (an executive Director who has been appointed as one of the authorised representatives of the Company), though not ordinarily resident in Hong Kong, has valid travel documents to travel to Hong Kong and will be able to meet with the Stock Exchange in Hong Kong on short notice. The other authorised representative of the Company, Ms. WONG Chi Mei, is the company secretary of the Company who is ordinarily resident in Hong Kong;

(iii) The authorised representatives of the Company will act as the principal channel of communication between the Company and the Stock Exchange. They will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time;

(iv) The authorised representatives of the Company have the telephone and fax numbers and e-mail addresses of all the Directors and are able to contact all the Directors promptly at all times as and when the Stock Exchange wishes to contact them on any matter, and in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation or an alternative means of communication to the authorised representatives;

(v) All the Directors (including the independent non-executive Directors) will be readily contactable by the Stock Exchange and will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the Stock Exchange, and for the Directors who are not ordinary resident in Hong Kong, they all possess valid travel documents to travel to Hong Kong and will be available to meet with the Stock Exchange on short notice; and

(vi) The Enlarged Group has retained a compliance adviser acceptable to the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules as an additional channel of communication with the Stock Exchange, for the period commencing on the Completion Date and ending on the day on which the Enlarged Group complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Completion Date.

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 at the Latest Practicable Date, so far as the Company is aware, Get Thrive, Rueyyuan Holding, Beijing Ruiyuan and BCL, (collectively the "**Substantial Shareholders**") were 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 has no control of and is not in a position to control dealings in the Shares by any person (other than the Substantial 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 for, and the Stock Exchange [has granted], 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 Substantial 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;

(b) the Company procures that none of the Substantial Shareholders and the Directors and any of their respective associates deals in the Shares (other than the allotment of the CPS and the Conversion 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 Substantial 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 (a "**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 at the Latest Practicable Date, would not become a Director or a member of the senior management of the Enlarged Group after listing; and

(ii) the Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder or its associates.

FURTHER ISSUE OF SECURITIES

Rule 10.08 of the Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange.

The restriction in Rule 10.08 of the Listing Rules applies to the Company solely because it is deemed to be a new listing applicant pursuant to Rule 14.54 of the Listing Rules as a result of the Acquisition which constitutes a reverse takeover under the Listing Rules. The listing will not involve any share offering to the public and hence, there is no concern of new public investors being subject to the risk of dilution within a relatively short time after listing.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company considers that it would be unduly onerous to restrict its ability to raise funds through the issue of Shares or other securities convertible into equity securities of the Company pursuant to the restrictions set out in Rule 10.08 of the Listing Rules, which could have an adverse effect on its business development and might not, therefore, be in the interests of its Shareholders. The Company has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 10.08 of the Listing Rules in relation to the restrictions on further issue of Shares or other securities of the Company within six months of listing, and a consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of the Shares or the CPS by Get Thrive, Rueyyuan Holding, Beijing Ruiyuan and BCL upon the issue of Shares or other securities by the Company within the first six months of listing, on condition that:

(i) any issue of Shares or other securities by the Company within the first six months from the Completion Date must be either (a) for cash to fund a specific acquisition of land, assets or business that will contribute to the growth of the Enlarged Group's operation; (b) for full or partial settlement of the consideration for such acquisition; or (c) as a result of the conversion or exercise of the CPS in accordance with the terms thereof; and

(ii) each of Get Thrive, Rueyyuan Holding, Beijing Ruiyuan and BCL will remain as controlling shareholders of the Company during the first 12 months from listing.

GRANT OF WAIVER APPLICATION ON OWNERSHIP CONTINUITY

Upon Completion, the Company will, through the acquisition by Far Reaching of the Transfer Interest from Asian Expert, become the indirect sole owner of the Target Company. The ownership and control in respect of the Transfer Interest will effectively continue to remain indirectly with BCL (via BCL's 65.1% shareholding in the Company). There will be however, a technical change at completion of the BCL Acquisition in the ownership and control of the Target Company in respect of the Reco Ziyang Interest as a result of the transfer by Reco Ziyang to Asian Expert.

The Company has applied for and the Listing Committee has granted a waiver from strict compliance with Rule 8.05(1)(c) of the Listing Rules in connection with the Company's listing application.

FINANCIAL INFORMATION OF THE TARGET GROUP

You should read the following discussion of the Target Group's results of operations and financial condition in conjunction with its audited consolidated financial information as at and for the years ended 31 December 2011, 2012 and 2013 and as at and for the six months ended 30 June 2014 and unaudited comparative consolidated financial information for the six months ended 30 June 2013, including the notes thereto, included in Appendix III to this circular. This historical consolidated financial information is not necessarily indicative of the future performance of the Target Group or the Enlarged Group. For an illustration of the financial information of the Enlarged Group as a result of the Completion of the Acquisition, see "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix V to this circular. The Target Group's consolidated financial information has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements in the Hong Kong Company Ordinance. The following discussion contains forward-looking statements that involve risks and uncertainties. The Target Group's future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this circular.

OVERVIEW

The Target Group engages in development and operation of Xi'an First City, which is designed to be an outlets-backed integrated property project in Xi'an city in the PRC. The project is designed to be pillared by avenues of outlet shops and complemented by other properties including offices, retail space, residential buildings and car parking spaces.

Construction of the project commenced in 2009 and is expected to be fully completed by 2018. As at 30 June 2014, the Xi'an First City project had a total site area of 355,914 sq.m. and comprised:

(i) a total completed GFA of 945,850 sq.m. in Phases 1 to 6 (excluding Phase 5A), of which 123,424 sq.m. remained unsold;

(ii) a total GFA under development of 383,742 sq.m. in Phases 5 and 7, of which 277,991 sq.m. remained unsold; and

(iii) a total planned GFA of 382,047 sq.m. for the future development of Phase 5A.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group's revenue amounted to RMB1,188.3 million, RMB95.4 million, RMB1,211.4 million, RMB889.1 million and RMB1,045.3 million, respectively, and its profit for the year or period amounted to RMB207.4 million, RMB11.3 million, RMB234.5 million, RMB154.4 million and RMB181.0 million, respectively.

For further information about the Target Group's business and operations, including the description of Xi'an First City, please refer to the section headed "Business of the Target Group" in this circular.

BASIS OF PRESENTATION

The consolidated financial information of the Target Group has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements in the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of its consolidated financial information throughout the Track Record Period.

The financial statements of the Target Company's subsidiary, Xi'an Hengfu, have been prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of the subsidiary are included in the consolidated results of the Target Group since the subsidiary was established on 2 August 2012.

The consolidated financial information has been prepared under the historical cost convention. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Target Company and its subsidiary are eliminated in full on consolidation.

FACTORS AFFECTING THE TARGET GROUP'S RESULTS OF OPERATIONS

The Economy and Real Estate Markets in the PRC

The economic growth, urbanisation and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power of consumers in the PRC and the resulting demand for residential properties. The overall economic growth in the PRC and the rate of urbanisation will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. As the focus of the Target Group's business is the development of Xi'an First City in Xi'an City and, after the Completion, other outlets-backed integrated property projects and commercial property projects in selected Target Cities in the PRC, the economic growth and the rate of urbanisation in these cities will be important to the growth of the Target Group's operations.

The PRC property market has experienced significant volatility in recent years, especially as a result of the continuing effects of the global economic and financial crisis and the recent deterioration in the PRC's economic growth and credit environments. As the property market slows down in the PRC, people become more cautious in investing in property market and the demand for properties in the PRC has weakened. Any continued economic downturn in China generally, or in Xi'an or the Target Cities in which the Target Group will operate in the future, could have a material adverse effect on its business, results of operations and financial condition.

The regulatory environment and measures affecting the real estate industry in China

The Target Group's business has been, and will continue to be, affected by the regulatory environment in China, in particular, the policies and measures on property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the perceived over-heated real estate market, which have (i) tightened the lending requirement in the financial sector, (ii) changed the supply and demand dynamic in regional real estate markets, (iii) increased taxes on title transfers and property ownership, (iv) increased down payment requirements for residential mortgages, (v) tightened credit on financing and mortgage loans and (vi) restricted multiple home ownership and investments in residential property outside one's province of residence in the PRC.

The PRC regulatory measures in the real estate industry will continue to impact the Target Group's business in the future. Please see "Risk Factors – The Enlarged Group's business is subject to extensive PRC government policies, regulations and measures intended to discourage property speculation which may adversely affect the business of the Enlarged Group" and "Appendix II – Regulatory Overview" for more details on the relevant PRC laws and regulations.

Property mix

The Target Group derives its revenue principally from sales of residential and commercial properties in the Xi'an Project and, after the Acquisition, it expects the Enlarged Group to generate revenue from similar projects in the Target Cities in the PRC. The Target Group also expects to expand its investment property leasing business in the future, in particular, leasing of outlet shops. Commercial properties generally command higher average selling prices per square meter, and have higher gross profit margins than residential properties. Among residential properties, the low-rise residential properties command higher average selling prices per square meter, and have higher gross profit margins than the high-rise residential properties. The Target Group expects that in the future it will retain a portion of its commercial properties as investment properties upon completion for recurring rental income and long-term financial strength. A higher proportion of completed properties retained as investment properties may lower the Target Group's revenues and cash inflows in the short term due to the loss of cash inflows and revenues generated during pre-sales and upon delivery. Accordingly, the Target Group's business, financial condition, results of operations and cash flows generated from its operations may vary

significantly from period to period depending on the type of properties the Target Group sells and the proportion of completed commercial properties the Target Group retains as investment properties.

Project development schedules

Property development typically requires substantial capital expenditure and a substantial amount of time to complete. The progress of a development project can be adversely affected by many factors, including but not limited to shortages of construction materials or contractors, financing difficulty, construction accidents, natural catastrophes and adverse weather conditions. The Target Group may also encounter delays in obtaining the necessary zoning, land use, building, development and other required governmental and regulatory licences, permits, approvals and authorisations for its projects. Projects under development may also be subject to construction risks which include, among others, default by contractors or other third party service and goods providers of their obligations or financial difficulties faced by such persons. Any delay in the progress of a development project will lead to increased construction costs. Further, if a pre-sold property development is not completed on time, the purchaser or lessee may be entitled to compensation for late delivery. Delays in completion or delivery of development projects may affect the business, financial condition and results of operations of the Target Group.

Pre-sales of property provide an important source of operating cash flow for the Target Group. Because current PRC laws and regulations require property developers to fulfill certain conditions before commencing pre-sales, the progress of property development may affect the timing of the Target Group's cash inflows. In addition, as the Target Group does not recognise revenue in respect of the sale of a property until its development has been completed and the property has been delivered to the purchaser, the progress of property development may also cause the Target Group's results of operations to vary significantly from period to period depending on the GFA and timing of delivery of the property sold.

Cost of property development

The Target Group's results of operations are significantly affected by the cost of properties sold, consisting primarily of construction costs and land acquisition costs.

Construction costs mainly consist of construction material costs, costs for design and construction of projects, including payments to third-party contractors, labour costs and capitalised expenses (including capitalised interest). For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group's construction costs, excluding capitalised finance costs, accounted for 75.0%, 77.1%, 73.3%, 78.1% and 70.2% of cost of sales and 55.4%, 46.5%, 51.1%, 58.7% and 51.0% of its revenue, respectively. The Target Group's contractors are generally responsible for procuring and supplying materials, mainly steel and concrete, required for construction. Under the terms of these contracts, construction fees may be adjusted in accordance with increases in commodity prices over certain thresholds, typically 3% to 5%, depending on the construction materials procured. Consequently,

the Target Group assumes a part of the risk of commodity price increases under its construction contracts. Any rise in construction costs, including those under construction contracts, will impact the Target Group's cost of sales and profit margins if the Target Group cannot pass the relevant increase on to its customers. As the Target Group pre-sells some of its properties prior to their completion, it will be unable to pass any increased costs with respect to such properties to its customers if these costs increase subsequent to the time of such pre-sales. The Target Group expects its construction costs to continue to be influenced by fluctuations in the cost of construction materials and rising labour costs.

Land acquisition costs include costs relating to the acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with the land grants from the local PRC governments or land acquired in the secondary market. As the Target Group acquired the entire land parcel needed for the development of the Xi'an Project in 2008, the Target Group's results of operations during the Track Record Period were not affected by the general market trend of increasing cost of land use rights in recent years. However, to have a steady stream of properties available for sale and to achieve continuous growth in the long term, the Enlarged Group will need to acquire land reserves suitable for development at acceptable cost in the Target Cities. Undeveloped land in China's major cities is becoming increasingly scarce and the cost of acquiring suitable land for property development has been increasing. Land acquisition costs are also affected by a number of factors, including land location, timing of acquisition, method of acquisition (through tenders, auctions or listings-for-sale on the primary market, and private acquisition and cooperative agreement on the secondary market) and relevant changes in the PRC land acquisition policies and regulations.

Access to and cost of financing

The Target Group operates in a capital intensive industry. During the Track Record Period, the Target Group has relied on proceeds from sale and pre-sale of properties and bank loans to fund its project development activities.

For the years ended 31 December 2011, 2012 and 2013, net cash generated from the Target Group's operating activities amounted to RMB231.5 million, RMB54.0 million and RMB452.9 million, respectively. Net cash generated from the Target Group's operating activities for the six months ended 30 June 2013 amounted to RMB43.1 million and net cash used in the Target Group's operating activities for the six months ended 30 June 2014 amounted to RMB87.3 million. Although the Target Group expects to gain recurring rental income from its investment properties in Xi'an First City upon the completion of Phase 5A, expected by 2018, reduced cash flows from pre-sales of properties in Xi'an First City may increase reliance on external financing and increase costs of financing for new project development opportunities.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's outstanding bank loans amounted to RMB380.0 million, RMB180.0 million, RMB480.0 million and RMB610.0 million, respectively. Finance costs of RMB22.9 million, RMB21.3 million, RMB19.6

million, RMB5.8 million and RMB25.8 million were incurred and capitalised to properties under development for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively. The Target Group's bank loans carry interest at floating rates. As commercial loans in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, increases in the PBOC benchmark rates may affect the Target Group's borrowing costs and therefore affect its cash flow, financial condition and results of operations.

The Target Group's access to and cost of financing are also affected by the PRC government's bank credit policies and regulations on bank lending for property development. To the extent that the PRC government tightens the bank credit policies or restrict bank lending activities in the property market, the Target Group's access to capital and cost of finance can be adversely affected. In addition, any increase in interest rates or tightening of bank credit policies will affect the costs of mortgage financing to potential purchasers of the Target Group's properties, which in turn may affect the demand for the Target Group's properties.

Fair value on investment properties

The Target Group did not record any fair value gain or loss on investment properties during the Track Record Period as it did not have any properties that were classified as investment properties, either under construction or completed. However, the Target Group expects to hold a certain amount of investment properties upon the completion of Phase 5A of Xi'an First City. Therefore, the Target Group will be subject to fluctuation of the fair value of its investment properties in the future in accordance with prevailing market conditions. Any decrease in the fair value of the Target Group's investment properties may adversely affect its profitability. In addition, fair-value gains are unrealised and do not generate any cash inflow to the Target Group until such investment properties are disposed of at considerations similar to the valuations. The Target Group may therefore experience higher profitability through investment property valuation gains without a corresponding improvement to its liquidity position.

SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target Group's consolidated financial statements requires management to select accounting policies and make estimates, judgments and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities, their accompanying disclosures and the disclosure of contingent liabilities.

The determination and application of the accounting policies require management to make subjective and complex judgements about matters that are inherently uncertain based on information and data that may change in the future. Uncertainty about the assumptions and estimates the management made could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

The following paragraphs identify the accounting policies and judgments that are the most significant to the Target Group's consolidated financial information during the Track Record Period. The Target Group's significant accounting policies, significant judgements in applying such policies, key assumptions concerning the future and other key sources of estimate uncertainty are set out in more detail in Notes 3 and 4 to the Accountants' Report on the Target Group set forth in Appendix III to this circular.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably. Revenue from the sale of completed properties is recognised, when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the construction of the relevant properties is completed and the properties are delivered to the purchaser, and the collectability of related receivables is reasonably assured.

Payments received from purchasers prior to meeting the above criteria for revenue recognition, including pre-sale of properties prior to completion and delivery, are recorded in the consolidated statements of financial position as advances from customers under current liabilities.

Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property.

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

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Allocation of construction cost on properties under development

When developing properties, the Target Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to several phases are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square meters sold multiplied by the average cost per square meter of that particular phase of the project.

PRC enterprise income tax

The Target Group is subject to corporate income tax ("CIT") in the PRC. As a result of the fact that certain matters relating to the CIT have not been confirmed by the local tax authorities, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. To the extent that the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the income tax and tax provisions in the period in which the differences are realised.

PRC land appreciation tax

The Target Group is subject to land appreciation tax ("LAT") in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the property development projects. The Target Group has not finalised its LAT calculations and payments with the local tax authorities for certain property development properties in the Xi'an Project. The final outcome may be different from the amounts that were initially recorded, and any differences will have an impact on the LAT expense and the related provision in the period in which the differences are realised.

RESULTS OF OPERATIONS

The following table sets forth the Target Group's consolidated results of operations for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	1,188,285	95,420	1,211,440	889,058	1,045,287
Cost of sales	(877,849)	(57,588)	(844,832)	(667,824)	(760,021)
Gross profit	310,436	37,832	366,608	221,234	285,266
Other income and gains	2,028	6,620	2,297	851	1,088
Selling and distribution expenses	(31,972)	(24,688)	(26,460)	(14,716)	(21,883)
Administrative expenses	(4,000)	(4,341)	(5,256)	(1,522)	(2,242)
Other expenses	(1)	(312)	–	–	(670)
Finance costs	–	–	–	–	–
Profit before tax	276,491	15,111	337,189	205,847	261,559
Income tax expense	(69,123)	(3,781)	(102,711)	(51,462)	(80,544)
Profit for the year/period	207,368	11,330	234,478	154,385	181,015
Dividends declared	–	187,555	–	–	384,000

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Revenue

The Target Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the development of Xi'an First City. The Target Group's revenue during the Track Record Period was derived principally from the sale and delivery of residential and commercial properties in Phases 1 to 6 (excluding Phase 5A) in Xi'an First City. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group's revenue, which represents the gross proceeds from sale of properties net of business tax, amounted to RMB1,188.3 million, RMB95.4, million RMB1,211.4 million, RMB889.1 million and RMB1,045.3 million, respectively. The key factors affecting the Target Group's revenue from sales of properties for a given period include project development schedule and progress, the amount of total saleable GFA delivered, property sales progress, selling prices, types of properties sold and the relevant market conditions.

The following table sets forth certain details of the Xi'an First City properties sold and delivered during the periods indicated, including revenue, GFA delivered and average selling price ("ASP").

	Year ended 31 December									Six months ended 30 June					
	2011			2012			2013			2013			2014		
	Total revenue	GFA delivered	ASP	Total revenue	GFA delivered	ASP	Total revenue	GFA delivered	ASP	Total Revenue	GFA delivered	ASP	Total revenue	GFA delivered	ASP
	RMB'000	*sq.m.*	*RMB/ sq.m.*	*RMB'000*	*sq.m.*	*RMB/ sq.m.*	*RMB'000*	*sq.m.*	*RMB/ sq.m.*	*RMB'000*	*sq.m.* (unaudited)	*RMB/ sq.m.*	*RMB'000*	*sq.m.*	*RMB/ sq.m.*
Phase															
1	41,568	4,715	8,816	366	93	3,935	–	–	–	–	–	–	–	–	–
2	512,795	106,619	4,810	39,351	3,738	10,527	6,773	513	13,203	–	–	–	–	–	–
3	633,922	114,118	5,555	55,703	9,820	5,672	135,731	22,239	6,103	125,704	20,295	6,194	5,331	1,008	5,289
4	–	–	–	–	–	–	857,246	142,502	6,016	763,354	124,492	6,132	6,468	1,379	4,690
5	–	–	–	–	–	–	211,690	33,060	6,403	–	–	–	28,434	4,894	5,810
6	–	–	–	–	–	–	–	–	–	–	–	–	1,005,054	162,471	6,186
Total	1,188,285	225,452	5,271	95,402	13,651	6,990	1,211,440	198,314	6,109	889,058	144,787	6,140	1,045,287	169,752	6,158

Note: The average selling price is derived by dividing revenue from sales of properties by the GFA delivered in the same period.

During the Track Record Period, the most significant factor affecting the variations in the Target Group's results of operations was the Xi'an First City development schedule. While construction activities increased between 2011 and 2013, reflected in the additions to properties under development of RMB666.7 million, RMB699.6 million and RMB729.9 million, respectively, the increase in inventory of completed properties by way of transfer from properties under development in 2012 was RMB5.4 million, compared to increases in 2011 and 2013 of RMB1,048.2 million and RMB1,101.3 million, respectively. As a consequence, there was limited inventory of properties available for delivery to customers in 2012, including Phase 4 pre-sale customers, and thus significantly less revenue was recognised in 2012. The Target Group completed and started to deliver properties in Phase 6 in 2014. A substantial portion of the properties in Phase 6 was delivered in the first six months of 2014, generating RMB1,005.1 million revenue which represented 96.2% of the Target Group's total revenue for the six months ended 30 June 2014.

Cost of sales

The Target Group's cost of sales comprises primarily costs incurred directly in property development, including construction costs, land acquisition costs, capitalised finance costs and indirect development cost such as cost of superintendence and on-site management. The Target Group recognises the cost of sales of its properties for a given period to the extent that revenue from such properties has been recognised in the same period.

Construction costs include all of the costs for design and construction of the properties, including mainly payments to third party contractors and the cost of construction materials and equipment. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premium, relevant tax and fees. The Target Group capitalises its finance costs to the extent that such costs are directly attributable to the acquisition of land and construction of the properties.

The following table sets forth a breakdown of the Target Group's cost of sales by project phase for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Cost of sales	Unit cost of sales	Cost of sales	Unit cost of sales	Cost of sales	Unit cost of sales	Cost of sales	Unit cost of sales	Cost of sales	Unit cost of sales
	RMB'000	*RMB/sq.m.*	*RMB'000*	*RMB/sq.m.*	*RMB'000*	*RMB/sq.m.*	*RMB'000*	*RMB/sq.m.*	*RMB'000*	*RMB/sq.m.*
							(unaudited)			
Phase										
1	14,598	3,096	348	3,742	–	–	–	–	–	–
2	374,429	3,512	13,720	3,670	1,862	3,630	–	–	–	–
3	488,822	4,283	43,520	4,432	70,709	3,180	79,626	3,923	3,346	3,319
4	–	–	–	–	632,740	4,440	588,198	4,725	3,581	2,597
5	–	–	–	–	139,521	4,220	–	–	22,614	4,621
6	–	–	–	–	–	–	–	–	730,480	4,496
Total	877,849	3,894	57,588	4,219	844,832	4,260	667,824	4,612	760,021	4,477

Note: The unit cost of sales is derived by dividing the cost of sales by the GFA delivered in the same period.

The following table sets forth a breakdown of the Target Group's cost of sales by nature for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Construction costs	657,950	44,376	619,170	521,625	533,612
Land acquisition costs	145,396	8,638	152,370	101,450	148,907
Capitalised finance costs	25,034	1,789	37,642	23,185	33,460
Indirect development cost	49,469	2,785	35,650	21,564	44,042
Total	877,849	57,588	844,832	667,824	760,021

The Target Group's average construction costs per sq.m. of GFA delivered is affected by property mix and third party contractor pricing, the latter of which is in turn affected by fluctuations in prices of construction materials and labor costs. The Target Group's average construction costs for properties delivered increased by 11.4% from RMB2,918 per sq.m. in 2011 to RMB3,251 per sq.m. in 2012 and then decreased slightly to RMB3,122 per sq.m. in 2013. The Target Group's average construction costs for properties delivered decreased by 12.7% from RMB3,603 per sq.m for the six months ended 30 June 2013 to RMB3,143 per sq.m for the six months ended 30 June 2014. The table below sets forth a sensitivity analysis for the Target Group's construction costs, illustrating its impact on the Target Group's profit before tax if the Target Group's construction costs had been 10% higher or lower in the periods indicated, assuming all other variables were held constant.

Sensitivity analysis

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
If construction costs had been 10% higher					
Decrease in profit before tax	65,795	4,438	61,917	52,163	53,361
Percentage decrease in profit before tax	23.8%	29.4%	18.4%	25.3%	20.4%
If construction costs had been 10% lower					
Increase in profit before tax	65,795	4,438	61,917	52,163	53,361
Percentage increase in profit before tax	23.8%	29.4%	18.4%	25.3%	20.4%

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group's gross profit was RMB310.4 million, RMB37.8 million, RMB366.6 million, RMB221.2 million and RMB285.3 million, respectively, and the Target Group's gross profit margin was 26.1%, 39.6%, 30.3%, 24.9% and 27.3%, respectively.

Other income and gains

Other income and gains comprises bank and other interest income, gross rental income and others. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 30 June 2014, the Target Group had other income and gains of RMB2.0 million, RMB6.6 million, RMB2.3 million, RMB0.9 million and RMB1.1 million, respectively. The following table sets forth a breakdown of the Target Group's other income and gains during the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income	2,008	865	1,275	504	882
Other interest income	–	5,500	–	–	–
Gross rental income	–	–	562	338	125
Others	20	255	460	9	81
Total	2,028	6,620	2,297	851	1,088

The bank interest income represents the interest income on the Target Group's bank deposits. The other interest income recorded in 2012 represents the interest income on a two-month interest-bearing loan made to a related party in 2012. The gross rental income recorded in 2013 and 2014 is related to the Target Group's leasing of a kindergarten located in Xi'an First City. The kindergarten was built as an ancillary and supporting facility in Xi'an First City for pre-school education use in accordance with the local government's regulations on building and use of education facilities. The kindergarten has a total GFA of 4,500 sq.m. and a total leasable area of 4,144 sq.m. It is leased to an education operator for a term of 15 years with the rental payment commencing from 2013. The Target Group has not treated the kindergarten as an investment property, but classified the asset under inventory in its consolidated statements of financial position and recorded the rental income under other income and gains in its consolidated statements of profit or loss and other comprehensive income.

Selling and distribution expenses

Selling and distribution expenses include promotion expense incurred in advertising activities, sales commissions to sales agents, office expenses and consulting expense to BCL for services provided to the Target Group relating to its sales and marketing strategies. The following table sets forth a breakdown of the Target Group's selling and distribution expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Promotion expense	15,029	16,950	13,647	5,715	11,266
Sales commissions	12,899	2,028	12,053	8,484	10,003
Office expenses	844	1,746	760	517	614
Consulting expense	3,200	3,964	–	–	–
Total	31,972	24,688	26,460	14,716	21,883

During the Track Record Period, the Target Group also incurred consulting fees payable to BCL relating to property design and development activities, and these were capitalised to properties under development. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the total consulting fees to BCL, expensed and capitalised, were RMB16.0 million, RMB13.0 million, RMB22.0 million, RMB15.0 million and RMB19.0 million, respectively.

Administrative expenses

Administrative expenses primarily include salaries and benefits and also include social insurance for the Target Group's employees in its administrative department, certain tax expenses and others. The following table sets forth a breakdown of the Target Group's administrative expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and benefits	3,118	3,667	4,100	994	761
Social insurance	427	519	678	294	320
Others	455	455	478	234	1,161
Total	4,000	4,341	5,256	1,522	2,242

Other expenses

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group incurred other expenses of RMB1,000, RMB312,000 (relating to the business tax charged on the RMB5.5 million of other interest income recorded in 2012), nil, nil and RMB670,000, respectively.

Finance costs

Finance costs consist primarily of interest on bank loans less the amount of interest capitalised to properties under development. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the interest expense on the Target Group's bank loans amounted to RMB22.9 million, RMB21.3 million, RMB19.6 million, RMB5.8 million and RMB25.8 million, respectively, and the Target Group capitalised the entire amount of the interest expense to properties under development in the corresponding years or periods.

Tax expenses

The Target Group's tax expenses consist of CIT and LAT in the PRC. The Target Group's tax expenses amounted to RMB69.1 million, RMB3.8 million and RMB102.7 million, RMB51.5 million and RMB80.5 million for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively. The following tables set forth a breakdown of the Target Group's tax expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC corporate income tax	69,123	3,781	78,159	51,462	60,368
Land appreciation tax	–	–	24,552	–	20,176
Total	69,123	3,781	102,711	51,462	80,544

PRC corporate income tax

The Target Company and its subsidiary were subject to the standard tax rate of 25% for CIT during the Track Record Period.

PRC land appreciation tax

According to the relevant laws and regulations in the PRC, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. Sales of commercial properties, however, are not eligible for such exemption.

Local tax authorities require the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Target Group is required to pay LAT in advance at 1% to 3% on the pre-sales and sales proceeds of the Target Group's properties.

The Target Group has estimated, made and included in taxation a 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.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

Effective tax rate

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group's effective tax rate was 25.0%, 25.0%, 30.5%, 25.0% and 30.8%, respectively. The relatively higher effective tax rate in 2013 and the six months ended 30 June 2014 was due to LAT expense of RMB24.6 million and RMB20.2 million, respectively. A reconciliation of the Target Group's tax expense applicable to profit before tax at the PRC statutory tax rate to the tax expense at the effective tax rates, and a reconciliation of the applicable statutory tax rate to the effective tax rates, are as follows:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Profit before tax	276,491		15,111		337,189		205,847		261,559	
CIT at the statutory tax rate	69,123	25.0	3,778	25.0	84,297	25.0	51,462	25.0	65,390	25.0
Expenses not deductible for CIT	–	–	3	–	–	–	–	–	22	–
LAT	–	–	–	–	24,552	7.3	–	–	20,176	7.7
CIT effect of LAT	–	–	–	–	(6,138)	(1.8)	–	–	(5,044)	(1.9)
Tax charge at the Target Group's effective rate	69,123	25.0	3,781	25.0	102,711	30.5	51,462	25.0	80,544	30.8

The Directors have confirmed that, during the Track Record Period, the Target Group paid or made provisions for paying all relevant taxes and there were no material disputes with the relevant tax authorities.

Six months ended 30 June 2014 compared to six months ended 30 June 2013

Revenue

Revenue increased by 17.6%, from RMB889.1 million for the six months ended 30 June 2013 to RMB1,045.3 million for the six months ended 30 June 2014, primarily due to a 17.2% increase in the total GFA delivered, from 144,787 sq.m. in the six month ended 30 June 2013 to 169,752 sq.m. in the six months ended 30 June 2014, mainly attributable to the delivery of properties in Phase 6. The average selling price of property sold increased slightly from RMB6,140 per sq.m. in the six months ended 30 June 2013 and RMB6,158 per sq.m. in the six months ended 30 June 2014. The higher average selling price of properties in the six months ended 30 June 2014 is largely explained by a change in property mix, as there was a higher proportion of commercial properties (mostly from Phase 5) and low-rise residential properties (from Phase 6) to other residential properties delivered in the six months ended 30 June 2014 when compared to that delivered in the six months ended 30 June 2013. The increase in the average selling price of properties was partially offset by the lower average selling price of properties in Phases 3 and 4 in the six months ended 30 June 2014, which included apartments located on the floors near the ground or the rooftop of the building whose unit selling prices are less competitive than those located in the mid-zone of the building.

The increase in GFA delivered in the six months ended 30 June 2014 over the corresponding period in 2013 is explained largely by the Target Group's project development schedule that a substantial portion of the properties in Phase 6 was completed and delivered in the first six months of 2014.

Cost of sales

Cost of sales increased by 13.8%, from RMB667.8 million for the six months ended 30 June 2013 to RMB760.0 million for the six months ended 30 June 2014, reflecting the increase in total GFA delivered in the six months ended 30 June 2014.

Gross profit and gross profit margin

Gross profit increased from RMB221.2 million in the six months ended 30 June 2013 to RMB285.3 million in the six months ended 30 June 2014, mainly because of the completion and delivery of properties in Phase 6. Gross profit margin increased from 24.9% in the six months ended 30 June 2013 to 27.3% in the six months ended 30 June 2014, mainly because of the change in property mix as explained above.

Other income and gains

Other income and gains increased by 22.2% from RMB0.9 million in the six months ended 30 June 2013 to RMB1.1 million in the six months ended 30 June 2014, primarily due to an increase in bank interest income as a result of certain wealth management products the Target Group bought from the relevant banks.

Selling and distribution expenses

Selling and distribution expenses increased by 49.0%% from RMB14.7 million in the six months ended 30 June 2013 to RMB21.9 million in the six months ended 30 June 2014, primarily due to the increase in promotion expenses because of the Target Group's sponsorship in a sports event and the increase in sales commissions resulting from the increased GFA delivered to customers in the six months ended 30 June 2014.

Administrative expenses

Administrative expenses increased by 46.7% from RMB1.5 million in the six months ended 30 June 2013 to RMB2.2 million in the six months ended 30 June 2014, primarily due to certain fees charged by the relevant banks in connection with restructuring the balance due from related parties into an entrusted loan prior to the Completion.

Finance costs

The Target Group capitalised the entire amount of the interest on bank loans to property under development for the six months ended 30 June 2013 and 30 June 2014. Interest on bank loans increased from RMB5.8 million in the six months ended 30 June 2013 to RMB25.8 million in the six months ended 30 June 2014 primarily because of an increase in outstanding bank loans.

Taxation

The Target Group's income tax expense increased by 56.3% from RMB51.5 million in the six months ended 30 June 2013 to RMB80.5 million in the six months ended 30 June 2014, mainly because the increase in GFA delivered in the six months ended 30 June 2014 generated increased taxable income and increased LAT. The CIT increased by RMB8.9 million from RMB51.5 million in the six months ended 30 June 2013 to RMB60.4 million in the six months ended 30 June 2014, while the LAT increased by RMB20.2 million from nil in the six months ended 30 June 2013 to RMB20.2 million in the six months ended 30 June 2014 mainly due to the land value appreciation relating to the sales of the low-rise properties in Phase 6. The Target Group's effective tax rate increased from 25.0% in the six months ended 30 June 2013 to 30.8 % in the six months ended 30 June 2014 mainly because of the LAT expense incurred in the six months ended 30 June 2014 as explained above.

Profit for the period

For the foregoing reasons, the Target Group's profit for the period increased from RMB154.4 million in the six months ended 30 June 2013 to RMB181.0 million in the six months ended 30 June 2014, reflecting the increased availability of completed properties held for sale in the six months ended 30 June 2014, particularly in respect of the completion and delivery of properties in Phase 6.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Revenue increased 11.7 times, from RMB95.4 million in 2012 to RMB1,211.4 million in 2013, primarily due to a 13.5 times increase in the total GFA delivered, from 13,651 sq.m. in 2012 to 198,314 sq.m. in 2013, mainly attributable to the delivery of properties in Phases 4 and 5 beginning in 2013. The increase was minimally offset by a 12.6% decrease in the average selling price of properties sold, from RMB6,990 per sq.m. in 2012 to RMB6,109 per sq.m. in 2013.

The significant increase in GFA delivered in 2013 over 2012 is explained largely by the Target Group's project development schedule and the small increase in inventory of completed properties held for sale in 2012. Construction of properties in Phases 1, 2 and 3 was complete by the end of 2011, and almost all of the inventory in Phase 1 and a substantial part of the inventories in Phases 2 and 3 had been delivered to customers and recognised as revenue by the end of that year. The completion and delivery of properties in Phases 4 and 5 only began in 2013.

The higher average selling price of properties delivered in 2012 is largely explained by a change in property mix as there was a higher proportion of commercial properties (mostly from Phase 2) to residential properties delivered in 2012 when compared to that delivered in 2013.

Cost of sales

Cost of sales increased 13.7 times, from RMB57.6 million in 2012 to RMB844.8 million in 2013, reflecting the increase in total GFA delivered in 2013.

Gross profit and gross profit margin

Gross profit increased from RMB37.8 million in 2012 to RMB366.6 million in 2013, mainly because of the completion and delivery of properties in Phases 4 and 5 beginning in 2013. Gross profit margin decreased from 39.6% in 2012 to 30.3% in 2013, mainly because of the change in property mix as explained above.

Other income and gains

Other income and gains decreased by 65.2% from RMB6.6 million in 2012 to RMB2.3 million in 2013. This decrease resulted from interest income of RMB5.5 million recorded in 2012 in relation to a two-month interest-bearing loan made to a related party in 2012, partially offset by an increase of RMB0.4 million in bank interest income as a result of an increase in the average level of bank deposits in 2013.

Selling and distribution expenses

Selling and distribution expenses increased by 7.3% from RMB24.7 million in 2012 to RMB26.5 million in 2013, primarily due to an increase of RMB10.0 million in sales commissions resulting from the increased GFA delivered to customers in 2013. The increase was partially offset by a RMB3.3 million decrease in promotion expenses and a RMB4.0 million decrease in consulting expenses as the Target Group capitalised all of the consulting fees paid to BCL in 2013. Please see "Related Party Transactions" in this section for more information on the consulting fees incurred over the Track Record Period.

Administrative expenses

Administrative expenses increased by 23.3% from RMB4.3 million in 2012 to RMB5.3 million in 2013, primarily due to an increase of RMB0.7 million in employee salaries and benefits as a result of an increase in the average compensation level for the Target Group's employees in its administrative department in 2013.

Finance costs

The Target Group capitalised the entire amount of the interest on bank loans to property under development in 2012 and 2013. Interest on bank loans decreased slightly from RMB21.3 million in 2012 to RMB19.6 million in 2013.

Taxation

The Target Group's income tax expense increased by 26 times from RMB3.8 million in 2012 to RMB102.7 million in 2013, mainly because the increase in GFA delivered in 2013 generated increased taxable income and increased LAT. The CIT increased by RMB74.4 million from RMB3.8 million in 2012 to RMB78.2 million in 2013, while the LAT increased by RMB24.6 million from nil in 2012 to RMB24.6 million in 2013. The Target Group's effective tax rate increased from 25.0% in 2012 to 30.5% in 2013 mainly because of the RMB24.6 million LAT expense incurred in 2013.

Profit for the year

For the foregoing reasons, the Target Group's profit for the year increased from RMB11.3 million in 2012 to RMB234.5 million in 2013, reflecting particularly the completion and delivery of properties in Phases 4 and 5 to pre-sale customers which began in 2013.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

The Target Group's revenue decreased from RMB1,188.3 million in 2011 to RMB95.4 million in 2012 because the total GFA delivered decreased significantly from 225,452 sq.m. in 2011 to 13,651 sq.m. in 2012. This decrease was minimally offset by a 32.6% increase in the average selling price of properties sold from RMB5,271 per sq.m. in 2011 to RMB6,990 per sq.m. in 2012.

The significant decrease in GFA delivered in 2012 over 2011 is again explained by the Target Group's project development schedule. Delivery and sales of property in 2011 consisted of almost the entire inventory of saleable GFA from Phase 2, and a significant portion of GFA from Phase 3. Delivery of properties in Phase 1 was essentially complete by the end of 2011. The completion and delivery of properties in Phases 4 and 5 only occurred in 2013. As a result, there was limited inventory of completed properties available for sale in 2012 and revenue declined accordingly.

The higher average selling price of properties delivered in 2012 is largely explained by a change in property mix as there was a higher proportion of commercial properties (mostly from Phase 2) to residential properties delivered in 2012 when compared to that delivered in 2011.

Cost of sales

Cost of sales decreased from RMB877.8 million in 2011 to RMB57.6 million in 2012, reflecting the decrease in the total GFA delivered in 2012.

Gross profit and gross profit margin

Gross profit decreased from RMB310.4 million in 2011 to RMB37.8 million in 2012, mainly because of the project development schedule and the large decrease in total GFA delivered in 2012. Gross profit margin increased from 26.1% in 2011 to 39.6% in 2012, mainly because of the change in property mix as explained above.

Other income and gains

Other income and gains increased 2.3 times, from RMB2.0 million in 2011 to RMB6.6 million in 2012, mainly because the Target Group recorded RMB5.5 million of other interest income in 2012 relating to an interest-bearing loan made to a related party. This gain was partially offset by a decrease of RMB1.1 million in bank interest income as a result of the lower average level of bank deposits in 2012.

Selling and distribution expenses

Selling and distribution expenses decreased by 22.8% from RMB32.0 million in 2011 to RMB24.7 million in 2012, mainly due to the RMB10.9 million decrease in sales commissions in 2012 resulting from the decreased GFA delivered in 2012. The decrease was partially offset by a RMB2.0 million increase in promotion expense, a RMB0.9 million increase in office expenses and a RMB0.8 million increase in consulting fees to BCL relating to sales and marketing strategies in 2012. Please see "Related Party Transactions" in this section for more information on the consulting fees incurred over the Track Record Period.

Administrative expenses

Administrative expenses increased by 7.5% from RMB4.0 million in 2011 to RMB4.3 million in 2012, primarily due to an increase of RMB0.2 million in administrative employees' salaries and benefits.

Finance costs

The Target Group capitalised the entire amount of interest on bank loans to properties under development in 2011 and 2012. The interest on bank loans decreased slightly from RMB22.9 million in 2011 to RMB21.3 million in 2012.

Taxation

The Target Group's tax expense decreased by 94.5% from RMB69.1 million in 2011 to RMB3.8 million in 2012. This decrease was primarily due to the decrease in GFA delivered in 2012, resulting in a decrease of RMB65.3 million in CIT. The Target Group's effective tax rate remained the same, being the 25.0% statutory corporate income tax rate in the PRC, in 2011 and 2012.

Profit for the year

For the foregoing reasons, the Target Group's profit for the year decreased from RMB207.4 million in 2011 to RMB11.3 million in 2012, reflecting the depletion of completed properties held for sale during 2011 and the limited replenishment during 2012 as a result of the Target Group's project development schedule.

LIQUIDITY AND CAPITAL RESOURCES

Overview

As at 30 June 2014, the Target Group had cash and bank balances of RMB260.6 million (including the RMB54.2 million cash restricted to project development use) and an aggregate amount of RMB1,620.0 million due from related parties which will be repaid prior to or upon the Completion. The Target Group has historically financed working capital and capital expenditures principally through internal cash resources, cash generated from operating activities (mainly pre-sale and sale of properties), shareholders' contributions and loans from commercial banks. After the Completion, the Enlarged Group will continue to rely on internal cash resources, cash generated from operations and loans from commercial banks and may consider equity or debt financing to fund its future capital requirements. As at 31 July 2014, the latest practicable date for the purpose of determining indebtedness, the Target Group had undrawn and unrestricted banking facilities with an aggregate amount of RMB100.0 million. The Target Group did not otherwise have any plans as at the Latest Practicable Date to raise material external debt in the foreseeable future.

The Target Group currently expects to distribute RMB590.2 million, being the entire amount of dividends payable as at 30 June 2014, prior to or upon the Completion.

Taking into account the Target Group's operating cash inflows (mainly from pre-sale and sale proceeds of properties), repayments from related parties, future bank borrowings, if required, and other financial resources available to the Target Group and the Enlarged Group, in the absence of unforeseen circumstances, the Directors are of the view, and the Sponsor concurs, that the Enlarged Group has sufficient working capital to meet its capital requirements for its operations for at least the next 12 months from the date of this circular.

Cash flow

The following table shows selected cash flow data from the Target Group's consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash from/(used in) operating activities	231,548	54,010	452,921	43,052	(87,269)
Net cash (used in)/from investing activities	(318,583)	117,566	(639,444)	(130,214)	67,173
Net cash from/(used in) financing activities	117,312	(231,446)	280,421	114,159	91,752
Net increase/(decrease) in cash and cash equivalents	30,277	(59,870)	93,898	26,997	71,656
Cash and cash equivalents at beginning of year/period	70,407	100,684	40,814	40,814	134,712
Cash and cash equivalents at end of year/period	100,684	40,814	134,712	67,811	206,368

Net cash from or used in operating activities

During the Track Record Period, the Target Group's cash generated from operating activities resulted primarily from pre-sale and sale of its developed properties, while cash used in operating activities resulted from its property development activities and taxes paid.

For the six months ended 30 June 2014, the Target Group's net cash inflow used in operating activities was RMB87.3 million, reflecting cash used in operations of RMB24.3 million and taxes paid of RMB63.0 million. Operating cash inflow before movements in working capital was RMB260.7 million. Movements in working capital of RMB285.0 million contributed a net cash outflow, primarily attributable to (i) a net decrease of RMB829.2 million in advances from customers which was mainly due to the delivery of pre-sold properties in Phases 6 in the six months ended 30 June 2014, (ii) a net decrease of RMB109.6 million in other payables and accruals mainly attributable to the repayment of RMB78.0 million cash advances to two unrelated third parties. Offsetting these decreases in working capital were (i) a net decrease in inventories of RMB449.6 million reflecting the delivery of properties mainly in Phase 6, (ii) a net decrease of RMB72.5 million in prepayments, deposits and other receivables as a result of the collection of receivables from third parties and the increased in pre-paid taxes, and (iii) a net decrease of RMB72.2 million in restricted cash mainly because of the release of restricted cash upon the delivery of properties (mainly Phase 6).

For the year ended 31 December 2013, the Target Group's net cash inflow from operating activities was RMB452.9 million, reflecting cash generated from operations of RMB502.5 million and taxes paid of RMB49.6 million. Operating cash inflow before movements in working capital was RMB336.2 million. Movements in working capital of RMB166.3 million contributed a net cash inflow, primarily attributable to (i) a net increase of RMB133.9 million in trade payables, reflecting the increased construction activities in Phases 5 to 7 (excluding Phase 5A) and a final accounting of construction fees payable to contractors in respect of Phases 1 to 4, (ii) a net increase of RMB96.3 million in other payables and accruals mainly attributable to the RMB83.0 million cash advances from two unrelated third parties and (iii) a net decrease in inventories of RMB134.6 million reflecting sales of property in Phases 4 and 5. Offsetting these decreases in working capital were (i) a net increase in restricted cash of RMB116.7 million relating to pre-sale proceeds deposited in a designated account for project development in accordance with PRC laws and (ii) a net decrease of RMB75.1 million in advances from customers which was mainly due to the delivery of pre-sold properties in Phases 4 and 5 in 2013, partially offset by the pre-sale proceeds received in 2013.

For the year ended 31 December 2012, the Target Group's net cash inflow from operating activities was RMB54.0 million, reflecting cash generated from operations of RMB122.0 million and taxes paid of RMB68.0 million. Operating cash inflow before movements in working capital was RMB9.1 million. Movements in working capital of RMB112.9 million contributed a net cash inflow, primarily attributable to (i) a net increase of RMB698.6 million in advances from customers mainly due to pre-sales and sales of property in Phases 3 to 6 (excluding Phase 5A) and (ii) a net increase of RMB82.2 million in trade payables, as increased construction activities in Phases 4 and 5 increased construction fees payable. Offsetting these decreases in working capital were (i) a net increase of RMB620.8 million in inventories reflecting the construction costs of Phases 4 to 6 (excluding Phase 5A) and (ii) a net increase of RMB43.2 million in prepayments, deposits and other receivables mainly due to the increase in certain prepaid taxes.

For the year ended 31 December 2011, the Target Group's net cash inflow from operating activities was RMB231.5 million, reflecting cash generated from operations of RMB261.1 million and taxes paid of RMB29.5 million. Operating cash inflow before movements in working capital was RMB274.8 million. Movements in working capital of RMB13.7 million contributed a net cash outflow, primarily attributable to (i) a net decrease of RMB235.1 million in advances from customers mainly due to the delivery of pre-sold properties in Phases 2 and 3 and (ii) a net decrease of RMB20.5 million in trade payables due to the settlement of construction fees payable, mainly relating to the construction of Phase 3, partially offset by a net decrease of RMB234.1 million in inventories also reflecting the delivery of properties in Phases 2 and 3.

Net cash used in or from investing activities

The Target Group's net cash used in or from investing activities during the Track Record Period was primarily driven by advances provided to and repayments from related parties. The Target Group provided advances to related parties in accordance with the centralised cash management policies of BCL, where the Target Group provided its related parties with temporary interest free advances to support their working capital.

For the six months ended 30 June 2014, the Target Group's net cash from investing activities was RMB67.2 million, primarily attributable to the release of RMB200.0 million pledged deposits, partially offset by the net advances of RMB133.7 million to related parties.

For the year ended 31 December 2013, the Target Group's net cash used in investing activities was RMB639.4 million, primarily attributable to the net advances of RMB430.7 million to related parties and an increase of RMB210.0 million in pledged deposits to temporarily secure certain of the Target Group's bank loans.

For the year ended 31 December 2012, the Target Group's net cash from investing activities was RMB117.6 million, primarily attributable to the net repayment of RMB116.7 million from related parties.

For the year ended 31 December 2011, the Target Group's net cash used in investing activities was RMB318.6 million, primarily attributable to the net advances of RMB320.2 million to related parties.

Net cash from or used in financing activities

The Target Group's net cash from or used in financing activities during the Track Record Period was primarily driven by bank borrowings and related interest payments.

For the six months ended 30 June 2014, the Target Group's net cash inflow from financing activities was RMB91.8 million, mainly attributable to the net new bank borrowings of RMB130.0 million to fund the construction of properties in Phase 7, offset by the payment of bank loan interest of RMB25.8 million and the payment of dividend of RMB12.4 million.

For the year ended 31 December 2013, the Target Group's net cash inflow from financing activities was RMB280.4 million, mainly attributable to the net new bank borrowings of RMB300.0 million to fund the construction of properties in Phases 5 and 6, offset by the payment of bank loan interest of RMB19.6 million.

For the year ended 31 December 2012, the Target Group's net cash used in financing activities was RMB231.4 million, mainly attributable to the repayment of bank borrowings of RMB200.0 million, payment of bank loan interest of RMB21.3 million and repayment of RMB10.2 million cash advances obtained from related parties in 2011.

For the year ended 31 December 2011, the Target Group's net cash inflow from financing activities was RMB117.3 million, mainly attributable to net new bank borrowings of RMB130.0 million to fund the construction of properties in Phase 4 and cash advances from related parties of RMB10.2 million partially offset by the payment of bank loan interest of RMB22.9 million.

Net current assets

The following table sets out the Target Group's current assets and current liabilities as at the date indicated:

	As at 31 December			As at 30 June	As at 31 July
	2011	2012	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	1,204,477	1,846,547	1,731,576	1,307,869	1,258,071
Trade receivables	–	–	19,990	16,585	14,235
Prepayments, deposits and other receivables	1,256,309	1,188,309	1,605,723	1,666,919	1,725,575
Prepaid taxes	19,528	73,001	41,995	19,570	20,675
Restricted cash	–	9,753	126,407	54,186	98,836
Pledged deposits	–	–	210,000	10,000	10,000
Cash and cash equivalents	100,684	40,814	134,712	206,368	78,991
Total current assets	2,580,998	3,158,424	3,870,403	3,281,497	3,206,383
Current liabilities					
Trade payables	19,090	101,247	235,176	291,256	175,866
Advance from customers	693,021	1,391,609	1,316,559	487,390	532,168
Other payables and accruals	53,024	48,832	145,156	35,517	35,034
Dividend payable	31,000	218,555	218,555	590,155	590,155
Interest-bearing bank borrowings	200,000	160,000	24,000	547,500	547,500
Taxes payable	24,645	13,903	36,021	31,158	26,605
Total current liabilities	1,020,780	1,934,146	1,975,467	1,982,976	1,907,328
Net current assets	1,560,218	1,224,278	1,894,936	1,298,521	1,299,055

The Target Group's net current assets have been affected by its property development schedule and progress, its financing activities and the changes in certain receivables. As at 31 December 2011, 2012 and 2013, 30 June 2014 and 31 July 2014, the Target Group had net current assets of RMB1,560.2 million, RMB1,224.3 million, RMB1,894.9 million, RMB1,298.5 million and RMB1,299.1 million, respectively.

The decrease of net current assets from RMB1,894.9 million as at 31 December 2013 to RMB1,298.5 million as at 30 June 2014 was primarily due to (i) a decrease of RMB423.7 million in inventories primarily as a result of the delivery of properties in Phase 6, (ii) a decrease of RMB72.2 million in restricted cash released due to the delivery of the relevant properties, (iii) a decrease of RMB200.0 million in pledged deposits released upon the creation of securities over the relevant properties, (iv) an increase of RMB371.6 million in dividend payable as a result of a dividend declaration of RMB384 million and a dividend distribution of RMB12.4 million, and (v) an increase of RMB523.5 million in bank borrowings as a result of new bank borrowing to fund the construction of properties in Phase 7 and the transfer of long term bank borrowings to short term bank borrowings, partially offset by (i) a decrease of RMB829.2 million in advance from customers as a result of less amount of properties available for pre-sale and (ii) an increase of RMB61.2 million in prepayments, deposits and other receivables mainly as a result of an increased amount of cash advances provided to the related parties.

The Target Group's net current assets increased from RMB1,224.3 million as at 31 December 2012 to RMB1,894.9 million as at 31 December 2013 as a result of the increase in the current assets, partially offset by the slight increase in the current liabilities. The increase in current assets resulted mainly from (i) an increase of RMB417.4 million in prepayment, deposits and other receivables mainly resulting from the increase in amounts due from related parties, (ii) a RMB210.0 million increase in pledged deposits to secure certain of the Target Group's bank loans, (iii) an increase of RMB116.7 million in restricted cash in relation to the pre-sale proceeds in 2013 deposited in a designated account for project development in accordance with the PRC laws and (iv) an increase of cash and cash equivalents of RMB93.9 million. The increase in current liabilities resulted mainly from (i) an increase of RMB133.9 million in trade payables, which were mainly construction fees payable relating to the increased construction activities in Phases 5 to 7 (excluding Phase 5A) and a final accounting of construction fees payable to contractors in respect of Phases 1 to 4, and (ii) an increase of RMB96.3 million in other payables and accruals mainly attributable to the RMB83.0 million cash advances from two unrelated third parties to increase the Target Group's financing sources, partially offset by a decrease of 136.0 million in bank borrowings.

The decrease of the Target Group's net current assets from RMB1,560.2 million as at 31 December 2011 to RMB1,224.3 million as at 31 December 2012 was primarily due to (i) an increase of RMB698.6 million in advances from customers in relation to the pre-sale of property in Phases 4 to 6 (excluding Phase 5A), (ii) an increase in dividend payable due to the declaration of a RMB187.6 million dividend in 2012 and (iii) a decrease of RMB68.0 million in prepayments, deposits and other receivables mainly resulting from the collection of amounts due from related parties, partially offset by an increase of RMB642.1 million inventories mainly relating to the construction of Phases 4 to 6 (excluding Phase 5A).

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank loans

The Target Group's bank loans amounted to RMB380.0 million, RMB180.0 million, RMB480.0 million, RMB610.0 million and RMB610.0 million as at 31 December 2011, 2012 and 2013, 30 June 2014 and 31 July 2014, respectively. The following table sets out certain details of the Target Group's outstanding bank loans as at the dates indicated:

	As at 31 December						As at 30 June		As at 31 July	
	2011		2012		2013		2014		2014	
	RMB'000	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000* (unaudited)	*Effective interest rate*
Current										
Current portion of long term bank loans, secured	200,000	6.65-6.72	160,000	6.72	24,000	7.07	547,500	7.07-8.00	547,500	7.07-8.00
Non-current										
Bank loans, secured	180,000	6.46	20,000	6.72	456,000	7.07-7.38	62,500	8.00	62,500	8.00
Total	380,000		180,000		480,000		610,000		610,000	

The following table shows the maturity profile of the Target Group's bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2011	2012	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within one year or on demand	200,000	160,000	24,000	547,500	547,500
In the second year	160,000	20,000	456,000	62,500	62,500
In the third to fifth years, inclusive	20,000	–	–	–	–
Total	380,000	180,000	480,000	610,000	610,000

The Target Group repaid bank borrowings of RMB200.0 million in 2012. The Target Group made net new bank borrowings of RMB300.0 million in 2013 to fund the construction of properties in Phases 5 and 6. In the six months ended 30 June 2014, the Target Group made net new bank borrowings of RMB130.0 million to fund the construction of properties in Phase 7. As at 31 July 2014, the latest practicable date for the purpose of determining indebtedness, the Target Group had a total bank borrowings of RMB610.0 million.

The Target Group's bank loans are denominated in Renminbi. As at December 31 December 2011, 2012 and 2013, 30 June 2014 and 31 July 2014, the amounts outstanding were secured by the Target Group's properties under development and completed properties held for sale. RMB200.0 million of the Target Group's bank loans as at 31 December 2013 was temporarily secured by RMB200.0 million of time deposits pending the creation of security over additional properties under development and completed properties held for sale. In addition, RMB280.0 million as at 31 December 2013 and RMB260.0 million as at 30 June 2014, respectively, were secured by an additional RMB10.0 million of time deposits and guaranteed by a related party. The Target Group will discharge such guarantee by repaying such outstanding bank borrowings in full prior to or upon the Completion. The assets securing the Target Group's bank loans are set out in the following table:

	As at 31 December			As at 30 June	As at 31 July
	2011	2012	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Pledged deposits	–	–	210,000	10,000	10,000
Properties under development	324,086	584,679	787,389	499,942	450,714
Completed properties held for sale	170,847	–	269,811	440,051	440,051
Total	494,933	584,679	1,267,210	949,993	900,765

As at 31 July 2014, the latest practicable date for the purpose of determining indebtedness, the Target Group had undrawn and unrestricted banking facilities with an aggregate amount of RMB100.0 million.

Save as disclosed in the paragraph headed "Indebtedness and Contingent Liabilities", the Target Company did not have any other outstanding mortgages and charges or other material contingent liabilities.

Material covenants

The Target Group entered into loan agreements with certain commercial banks in the PRC. The Target Company is subject to various covenants and is required to, among other things, seek the approval of the lending bank if it intends to: (i) make material changes to its corporate structure, (ii) transfer a material amount of assets, (iii) distribute dividends in excess of certain amounts, (iv) make material investments, (v) repay other long term debt prior to its maturity, (vi) repay shareholder loans, or (vii) incur debt, provide loans, guarantees or pledges for or waive third party obligations in aggregate amount from the loan agreement date exceeding certain ratio of its assets.

Save as disclosed in this circular, there are no other material covenants relating to the outstanding debts of the Target Group. The Target Group has obtained the consent from the relevant lending banks to proceed with the corporate and shareholding structure changes in connection with this Acquisition.

Advances from third parties and related parties

During the Track Record Period, the Target Group received cash advances of RMB83.0 million from two unrelated parties. The Target Group had repaid RMB78.0 million before 30 June 2014 and currently expects to repay the remaining amount prior to or upon the Completion.

In addition, BCL usually advanced the salaries of certain employees seconded to the Target Group during the Track Record Period. The Target Group settled such amounts with BCL from time to time during the year. As at 30 June 2014, there was a balance of RMB0.4 million to settle. The Target Group has repaid all such outstanding amount in August 2014 and has ceased the practice of using advances from BCL.

In 2011, certain related parties of the Target Group provided it with interest-free temporary cash advances of RMB10.2 million, which Target Group repaid in 2012.

Advances provided to and repayment from related parties

As a result of BCL's centralised cash management policies, during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the Target Group provided advances to, and received repayments from, related parties in the following aggregate amounts:

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate amount during the year/period				
Advances provided to related parties	1,927,000	2,298,500	1,476,000	3,856,500
Repayments from related parties	1,606,832	2,415,242	1,045,350	3,722,791

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group had outstanding amounts due from related parties of RMB1,166.9 million, RMB1,055.6 million, RMB1,486.3 million and RMB1,620.0 million, respectively. As at 30 June 2014, the amounts due from related parties had been restructured into an entrusted loan arrangement. The entrusted loan will be repaid prior to or upon the Completion. The Enlarged Group will not be subject to BCL's centralised cash management policies after the Completion. For more information, please see "Related Party Transactions" in this section.

Statement of indebtedness

As at 31 July 2014, the latest practicable date for the purpose of determining indebtedness, the Target Group had outstanding bank borrowings of RMB610.0 million, amount due to unrelated third parties of RMB5.0 million (which is currently expected to be repaid prior to or upon the Completion), amount due to related parties of RMB0.6 million, outstanding guarantees of RMB1,408.7 million provided to banks in favour of the Target Group's customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Target Group's properties and outstanding guarantees of RMB279.0 million provided to banks in connection with loans granted to a related party.

The Directors have confirmed that, as at 31 July 2014, the latest practicable date for the purpose of this indebtedness statement, save as disclosed under "Indebtedness and Contingent Liabilities" in this section, the Target Group did not have any bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities or authorized debentures. The Directors have also confirmed that there have been no material changes in the Target Group's indebtedness since 31 July 2014.

The Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Target Group had no material default in the payment of bank loans and related party borrowings, or material breaches of finance covenants in respect of its borrowings and other finance facilities.

Contingent liabilities

The Target Group has provided guarantees to banks in favour of the Target Group's customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Target Group's properties. The guarantee period starts from the date of the grant of mortgage loans and ends upon the issuance of the building ownership certificate to the property purchaser. The building ownership certificate is usually available to the property purchaser within one to two years after the purchaser takes possession of the relevant property. The carrying amount of such guarantees was RMB737.9 million, RMB698.8 million, RMB1,080.3 million and RMB1,243.2 million as at 31 December 2011, 2012 and 2013 and as at 30 June 2014, respectively.

Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Target Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalties owed by the defaulted purchasers to the banks. Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles of the pledged properties and liquidate such pledge through open auctions. The Target Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding amount of mortgage principal, the accrued interest and penalties. Over the Track Record Period

and as at the Latest Practicable Date, there were incidents that the Target Group experienced defaults by its customers on the payment of mortgages. In these incidents, the Target Group settled the outstanding mortgages and fines with the relevant banks and subsequently took possession of the relevant properties and returned the down payment to the customers after set-off. The amounts involved in these incidents were not material to the Target Group.

The fair value of these mortgage guarantees is not significant and the Directors consider that in the case of default on payments, the net realisable value of the related properties can cover the outstanding mortgage principal and the accrued interest and penalties, and therefore no provision has been made in the consolidated financial statements for the guarantees.

In August 2013, the Target Group provided a three year guarantee for an aggregate amount of RMB279.0 million to secure certain bank borrowings of a related party. This guarantee remained outstanding as at 31 July 2014, and will be released or discharged prior to or upon the Completion. The fair value of this guarantee is not significant and the Directors consider that the risk of default in payment is remote, and therefore no provision for this guarantee has been made in the consolidated financial statements.

Details of the immaterial non-compliance of the Target Group during the Track Record Period are set out in the section headed "Business of the Target Group – Regulatory Compliance" in this circular. The Target Group may be subject to a potential maximum penalty of approximately RMB27.5 million. Based on the reasons and circumstances of such non-compliance and the PRC legal advice received, the Directors consider that the risk of the Target Group being subject to the penalty is not material, and accordingly, no provision has been made in the financial information.

The Directors have confirmed that there have been no material changes in the Target Group's contingent liabilities since 31 July 2014.

CERTAIN BALANCE SHEET ITEMS

Inventories

Inventories principally consist of the Target Group's properties under development and completed properties held for sale, and they were all classified as current assets during the Track Record Period. The Target Group had inventories of RMB1,204.5 million, RMB1,846.5 million, RMB1,731.6 million and RMB1,307.9 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The changes in inventories from period to period are generally a function of the additions to properties under development as construction progresses on the various phases of Xi'an First City and the amount of completed properties delivered during the period.

The following table sets forth the breakdown of the Target Group's inventories as at the date indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development				
Phase 4	324,086	584,679	–	–
Phase 5	117,538	275,907	51,450	167,232
Phase 6	192,178	464,139	765,949	27,850
Phase 7	176,530	177,803	306,702	334,859
Phase 5A	206,703	208,710	215,731	228,369
Subtotal	1,017,035	1,711,238	1,339,832	758,310
Completed properties held for sale				
Phase 1	348	–	–	–
Phase 2	16,223	2,503	641	641
Phase 3[(1)]	170,871	132,716	54,307	44,192
Phase 4	–	–	66,894	62,813
Phase 5	–	–	269,812	247,533
Phase 6	–	–	–	194,380
Subtotal	187,442	135,219	391,654	549,559
Others	–	90	90	–
Total	1,204,477	1,846,547	1,731,576	1,307,869

Note (1): Completed properties held for sale in Phase 3 in 2013 includes a kindergarten with a GFA of 4,500 sq.m. with a carrying value of RMB35.1 million as at 30 June 2014. The kindergarten has been leased for 15 years until 2027.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, properties under development with aggregate carrying amounts of RMB324.1 million, RMB584.7 million, RMB787.4 million and RMB499.9 million, respectively, were pledged to secure certain of the Target Group's bank loans. As at 31 December 2011, 2012 and 2013 and 30 June 2014, completed properties held for sale with aggregate carrying amounts of RMB170.8 million, nil, RMB269.8 million and RMB440.1 million, respectively, were pledged to secure certain of the Target Group's bank loans.

For further information, please see Note 16 in the Accountants' Report on the Target Group set forth in Appendix III to this circular, and the paragraphs headed "Inventories", "Properties under development" and "Completed properties held for sale" under the section headed "Significant Accounting Policies, Accounting Judgments and Estimates" in this section.

Trade receivables

The Target Group's trade receivables consist of property purchase consideration that has not been paid upon the delivery of the property purchased. In accordance with the terms of the property sales and purchase agreements that the Target Group enters into with its customers, in most cases purchase consideration is payable within 60 to 90 days of signing the sales contract and in any event before delivery of the property purchased. The Target Group recorded trade receivables of RMB20.0 million and RMB16.6 million as at 31 December 2013 and 30 June 2014, respectively.

The Target Group seeks to maintain strict control over its outstanding receivables and the overdue balances are reviewed regularly by its senior management. There is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. The trade receivables are non-interest-bearing.

The aging analysis of the trade receivables as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one month	–	–	19,990	–
One to six months	–	–	–	16,585
Total	–	–	19,990	16,585

These trade receivables are not considered to be impaired. As at 31 July 2014, the Target Group collected around 14.2% of the trade receivables outstanding as at 30 June 2014.

Prepayments, deposits and other receivables

The prepayments, deposits and other receivables include amounts due from related parties, certain prepaid taxes, prepayments and deposits relating to sales commissions, property maintenance fund and others, and other receivables. The Target Group had prepayments, deposits and other receivables of RMB1,256.3 million, RMB1,188.3 million, RMB1,605.7 million and RMB1,666.9 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

The following table sets forth the breakdown of the Target Group's prepayments, deposits and other receivables as at the date indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,843	5,270	23	–
Deposits	7,464	7,267	11,757	11,757
Prepaid other taxes	39,175	79,297	74,632	26,665
Due from related parties	1,166,883	1,055,641	1,486,291	1,620,000
Other receivables	40,944	40,834	33,020	8,497
Total	1,256,309	1,188,309	1,605,723	1,666,919

None of the above prepayments, deposits and other receivables was past due or impaired. The balances due from related parties were non-trade in nature, unsecured, interest-free and repayable on demand. As at 30 June 2014, the amounts due from related parties had been restructured into an entrusted loan arrangement. The entrusted loan will be repaid prior to or upon the Completion.

Trade payables

The Target Group's trade payables mainly consist of construction fees payable to third party contractors. Trade payables amounted to RMB19.1 million, RMB101.2 million, RMB235.2 million and RMB291.3 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

The Target Group's trade payables are non-interest-bearing and repayable within the normal operating cycle ranging from seven months to twelve months. The aging analysis of the trade payables as at the dates indicated is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within one year	18,942	101,247	235,176	291,256
Over one year	148	–	–	–
Total	19,090	101,247	235,176	291,256

The increases in trade payables from RMB19.1 million as at 31 December 2011 to RMB101.2 million as at 31 December 2012 and to RMB235.2 million as at 31 December 2013 were primarily because of the increase in construction activities on Phases 4 and 5 in 2012, Phases 5 to 7 (excluding Phase 5A) in 2013 and the final accounting for construction fees due on Phases 1 to 4 that resulted in additional amounts payable to third party contractors in 2013. The trade payables increased to RMB291.3 million as at 30 June 2014 in relation to the construction of civil defence properties located in Phase 7.

The average trade payable turnover days increased from 18 days in 2011 to 34 days in 2012 to 94 days in 2013 and further to 187 days in the six months ended 30 June 2014 mainly because of the increase in construction activities over the Track Record Period as explained above. The average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables for the year by the corresponding total purchase amount in the year and then multiplying by the number of days in that year.

As at 31 July 2014, the Target Group had settled around 20% of the outstanding trade payables as at 30 June 2014.

Advances from customers

Advances from customers represent proceeds received from pre-sales of property that have not been recognised as revenue in accordance with the Target Group's revenue recognition policy. Such amounts are expected to be recognised as revenue upon the properties being completed and delivered to the purchasers.

In compliance with relevant PRC laws and regulations, the Target Group deposits a certain amount of the proceeds from the pre-sale into a designated bank account as guarantee deposits for the construction of the related properties. The deposits can only be used for purchase of construction materials and payments of the construction fees for the related project development.

The Target Group's advances from customers amounted to RMB693.0 million, RMB1,391.6 million, RMB1,316.6 million and RMB487.4 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The following table sets forth a breakdown of the advances from customers by project phase at the dates indicated:

	As at 31 December			At at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Phase 2	32,793	4,195	203	203
Phase 3	96,766	110,393	5,447	3,865
Phase 4	563,462	827,794	17,115	13,899
Phase 5	–	324,158	308,367	282,519
Phase 6	–	125,069	958,051	98,804
Phase 7	–	–	27,376	88,100
Total	693,021	1,391,609	1,316,559	487,390

Dividend payable

The Target Group's dividend payable represents the balance of dividends declared but not yet distributed. The dividends payable amounted to approximately RMB31.0 million, RMB218.6 million, RMB218.6 million and RMB590.2 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The Target Group currently expects to distribute the entire amount of dividends payable prior to or upon the Completion.

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Target Group had entered into the following material transactions with related parties:

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advances provided to related parties	1,927,000	2,298,500	1,476,000	577,000	3,856,500
Repayment from related parties	1,606,832	2,415,242	1,045,350	456,350	3,722,791
Advances from related parties	10,168	–	–	–	–
Repayment to related parties	–	10,168	–	–	–
Interest income from a related party	–	5,500	–	–	–
Consultation fee paid to a related party	16,008	13,006	22,000	15,000	19,000

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 30 June 2014, the Target Group paid consulting fees of RMB16.0 million, RMB13.0 million, RMB22.0 million, RMB15.0 million and RMB19.0 million to BCL for services it provided to the Target Group. Of the total consulting fees paid, RMB3.2 million in 2011 and RMB4.0 million in 2012 were charged to profit or loss because the corresponding services were related to the Target Group's sales and marketing strategies, and RMB12.8 million in 2011, RMB9.0 million in 2012, RMB22.0 million in 2013 and RMB19.0 million in the six months ended 30 June 2014 were capitalised because the corresponding services were related to the Target Group's property design development activities.

The following table sets forth the outstanding amounts arising from the related party transactions at the end of each reporting period as indicated:

	As at 31 December			At at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties	10,529	–	–	425
Amounts due from related parties	1,166,883	1,055,641	1,486,291	1,620,000

In accordance with BCL's centralised cash management policies, the Target Group provided temporary advances to its related parties during the Track Record Period. These advances were non-trade in nature and interest free, except for a loan of RMB200 million made to a subsidiary of BCL in 2012 for a term of two months that carried an interest at the rate of 15% resulting in RMB5.5 million interest income in 2012. As at 30 June 2014, the amounts due from related parties had been restructured into an entrusted loan arrangement. The entrusted loan will be repaid on or prior to Completion. The Enlarged Group will not be subject to BCL's centralised cash management policies after Completion.

In August 2013, the Target Company provided a guarantee of three years for an aggregate amount of RMB279.0 million to secure certain bank borrowings of a related party. This guarantee remained outstanding as at 31 July 2014 and will be released or discharged prior to or upon the Completion.

In addition, BCL usually advanced the salaries of certain employees seconded to the Target Group during the Track Record Period. The Target Group settled such amounts with BCL from time to time duing the year. As at 30 June 2014, there was a balance of RMB0.4 million to settle. The Target Group has repaid all such outstanding amount in August 2014 and has ceased the practice of using advances from BCL.

All of the above related party transactions were conducted in accordance with the terms and conditions that were mutually agreed by the parties involved. The Directors have confirmed that the consulting service transactions between the Target Group and BCL were conducted on normal commercial terms and in the Target Group's usual course of business. During the Track Record Period, the cash advances provided by the Target Group to its related parties had a material impact on its balance sheet item "Prepayments, deposits and other receivables". The Target Group was able to make such cash advances due to its strong liquidity position over the Track Record Period. The Directors are of the view that the related party transactions over the Track Record Period did not distort the Target Group's financial results or make the historical financial results not reflective of its past performance.

For further details regarding the Target Group's transactions with related parties, please see Note 29 of the Accountants' Report on the Target Group set forth in Appendix III to this circular.

KEY FINANCIAL RATIOS

The table below sets forth certain of the Target Group's key financial ratios for the periods indicated:

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2011	**2012**	**2013**	**2014**
Current ratio [(1)]	2.5	1.6	2.0	1.7
Gearing ratio [(2)]	27.5%	14.9%	33.4%	49.3%
Return on equity [(3)]	15.0%	0.9%	16.3%	14.6%
Net debt to equity ratio [(4)]	20.2%	10.7%	0.6%	27.5%

Notes:

(1) Current assets divided by current liabilities.

(2) Total debt divided by total equity x 100%; total debt comprises short-term borrowings and long-term borrowings.

(3) Net profit divided by total equity x 100%.

(4) Net debt divided by total equity x 100%; net debt comprises short-term borrowings and long-term borrowings minus restricted cash, pledged deposits and cash and cash equivalents.

The current ratio was 2.5, 1.6, 2.0 and 1.7 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The current ratio decreased in 2012 when compared to 2011 mainly because of increased pre-sales in 2012, offset by an increase in properties under development. The current ratio increased in 2013 when compared to 2012 mainly because of a net increase in amounts due from related parties. The current ratio decreased in the six months ended 30 June 2014 when compared to 31 December 2013 mainly because of the decrease in inventories and cash and bank balances.

The gearing ratio was 27.5%, 14.9%, 33.4% and 49.3% as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The gearing ratio decreased in 2012 when compared to 2011 mainly because of lower bank borrowings at the end of 2012, partially offset by a dividend declared in 2012. The gearing ratio increased in 2013 when compared to 2012 mainly because of increased bank borrowings at the end of 2013, partially offset by the retained earnings in 2013. The gearing ratio increased in the six months ended 30 June 2014 when compared to 2013 mainly because of the increased bank borrowings and the end of the first six months in 2014 and the dividend declaration in 2014.

The return on equity was 15.0%, 0.9%, 16.3% and 14.6% for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. The fluctuations in return on equity were principally due to the changes in GFA delivered as a result of the project development schedule.

The net debt to equity ratio was 20.2%, 10.7%, 0.6% and 27.5% as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The net debt to equity ratio decreased in 2012 when compared to 2011 mainly because of lower bank borrowings at the end of 2012, partially offset by a dividend declared in 2012 and lower cash on hand. The net debt to equity ratio decreased in 2013 when compared to 2012 mainly because of the increase in total equity from the retained earnings in 2013 and the increase in cash, partially offset by the increase in bank borrowings in 2013. The net debt to equity ratio increased in the six months ended 30 June 2014 when compared to 2013 mainly because the increase in bank borrowings and decrease in cash assets at the end of the first six months in 2014 and the decrease in total equity as a result of the dividend declaration in 2014.

COMMITMENTS AND CAPITAL EXPENDITURES

Operating lease commitments

The Target Group leased certain office space in 2012 under operating lease arrangements. Leases for properties were negotiated for a term of 3 years. At the end of each reporting period, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	168	168	112
In the second to fifth years, inclusive	–	196	28	–
Total	–	364	196	112

Capital commitments for property development

As at the dates indicated below, the Target Group had capital commitments contracted but not provided for as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	181,635	295,807	791,021	702,546

Capital expenditures

As at 30 June 2014, the Target Group expected to pay RMB3,565.8 million to complete the remaining development of the Xi'an Project and to settle any outstanding development costs. For more information on the payment schedule of further development costs, please refer to the section headed "Business of the Target Group – Property Project of the Target Group – Overview of Xi'an First City – (II) Information relating to the development costs" of this circular. The Target Group intends to finance such development costs using cash generated from operating activities, bank borrowings and the net cash inflow from the settlement of amounts due to and due from related parties prior to or upon the Completion.

ACQUISITION AND LISTING EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$38 million payable by the Company, all of which is expected to be charged to the profit and loss account of the Company upon Completion. The Directors do not expect the payment of the total expenses to have a material impact on the Enlarged Group's results of operations in 2014.

DISTRIBUTABLE RESERVES

As at 30 June 2014, the distributable reserves of the Target Company available for distribution amounted to RMB0.2 million.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except as disclosed in this circular, including that in "Contingent liabilities" in this section, 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 uncombined 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.

DIVIDEND POLICY

The Target Group distributed dividends of nil, nil, nil and approximately RMB12.4 million in 2011, 2012, 2013 and the six months ended 30 June 2014, respectively. The Target Group had an accrued liability for declared but unpaid dividends of approximately RMB31.0 million, RMB218.6 million, RMB218.6 million and RMB590.2 million as at 31 December 2011, 2012 and 2013 and 30 June 2014. The Target Company currently expects to distribute the entire amount of dividends payable prior to or upon the Completion, subject to applicable tax filings with and approvals from the relevant tax authorities in the PRC.

The Directors may recommend a payment of a dividend in the future after taking into account various factors, including the financial condition, capital requirements and earnings of the Enlarged Group, and subject to its Articles. There is no guarantee that dividends will be paid in the future. Any cash dividend and other distributions (if any) will be paid to the shareholders by any means as the Directors deem legal, fair and practical.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Financial instruments

The Target Group's principal financial instruments comprise interest-bearing bank borrowings, amounts due from/to related parties and cash and cash balances. The main purpose of these financial instruments is to raise funds for the Target Group's operations. The Target Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been, throughout the Track Record Period, the Target Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

Market risks

The Target Group is exposed to various types of market risks, including interest rate risk, credit risk and liquidity risk in its normal course of business.

Interest rate risk. The Target Group has borrowings at floating rates that expose it to cash flow interest rate risk. During the Track Record Period, the Target Group did not enter into any interest rate swaps to hedge its exposure to interest rate risk. The fair value interest risk on bank deposits is insignificant as the fixed deposits are short term. The management of the Target Group continuously monitors the interest rate position of the Target Group and makes decisions with reference to the latest market conditions.

If the interest rate increased or decreased by 100 basis points and all other variables were held constant, the Target Group's interest on bank borrowings would have decreased or increased by approximately RMB3,582,466, RMB3,021,370, RMB2,869,863 and RMB2,343,562 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. This is mainly attributable to the Target Group's exposure to interest rates on its floating rate bank borrowings. As the Target Group capitalised the entire amount of its finance costs to properties under development over the Track Record Period, the Target Group's profit before tax would not likely have been affected in the period in which a rate change took place.

Credit risk. Credit risk is the risk that counterparty will not meet its obligations under a customer contract, leading to a financial loss. The Target Group is exposed to credit risk from its properties sale and from its financing activities, including deposits with banks. Credit risk is managed by monitoring the receivables on an on-going basis and the Target Group's exposure to bad debts is not significant.

Also, the Target Company is exposed to credit risk on its other financial assets, such as cash and bank balances, trade receivables, amounts due from related parties and deposits and other receivables arising from default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Target Group trades only with recognised and creditworthy individuals, there is no requirement for collateral. There are no significant concentrations of credit risk within the Target Group as the customer bases of the Target Group's trade receivables are widely dispersed. The Target Group is also exposed to credit risk through the granting of financial guarantees as disclosed in Note 26 of the Accountants' Report on the Target Group set out in Appendix III to this circular.

The Target Group is also exposed to credit risk through the granting of financial guarantees, details of which are discussed under "Indebtedness and Contingent Liabilities – Contingent liabilities".

Liquidity risk. The Target Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its commitments. The maturity profile of the Target Group's financial liabilities at the end of each reporting period during the Track Record Period is set out in Note 32 of the Accountants' Report on the Target Group as Appendix III to this circular.

Capital management. The Target Group manages its capital to safeguard its ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Target Group may adjust the dividend payment to shareholders, return capital to shareholders or raise additional capital to maintain or adjust the capital structure. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period. The Target Group monitors capital on the basis of the net debt to equity ratio and aims to maintain the net debt to equity ratio at a reasonable level. The ratio is calculated as net debt divided by shareholders' equity. Net debt is calculated as total interest-bearing bank borrowings less cash and cash equivalents, pledged deposits and restricted cash. Shareholders' equity comprises all components of equity (including non-controlling interests). The net debt to equity ratio as at 31 December 2011, 2012 and 2013 and 30 June 2014 was 20.2%, 10.7%, 0.6% and 27.5%, respectively.

For further discussion on how the Target Group manages such risks, please see the section headed "Business of the Target Group – Risk Management" in this circular.

PROPERTY INTERESTS

For details of the Target Group's properties as at 30 June 2014 and the text of the valuation certificates of these property interests prepared by DTZ, please see Appendix VI to this circular.

The following table sets forth the reconciliation of the Target Group's amount of property interests from its consolidated financial statement as at 30 June 2014 to the valuation amount of the Target Group's property interests in its property valuation as at 30 June 2014:

	RMB (in millions)
Net book value of the Target Group's property interest as at 30 June 2014	1,307.9
Valuation surplus as at 30 June 2014	1,363.8
Valuation as at 30 June 2014 per "Appendix VI – Property Valuation of the Target Group"	2,671.7

UNAUDITED PRO FORMA NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to the equity holders of the Company and the unaudited pro form adjusted net tangible assets per share of the Enlarged Group attributable to the equity holders of the Company would be approximately RMB[REDACTED] and RMB[REDACTED], respectively, which is calculated as follows as extracted from the unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix V to this circular as at 30 June 2014 as if the Acquisition has taken place on that date.

This pro forma adjusted net tangible assets and adjusted net tangible assets per share of the Enlarged Group has been prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the net tangible assets or net tangible assets per share of the Enlarged Group would have been upon Completion of the Acquisition as at 30 June 2014 or any future date.

	RMB'000
Net assets of the Enlarged Group	
Pro forma total assets of the Enlarged Group	[REDACTED]
Less: Intangible assets	[REDACTED]
Less: Pro forma total liabilities	[REDACTED]
Pro forma net tangible assets of the Enlarged Group	[REDACTED]
Less: Non-controlling interests	–
Pro forma net tangible assets of the Enlarged Group attributable to the equity holders of the Company	[REDACTED]
	Number of shares
Divided by:	
Shares outstanding on 30 June 2014	200,000,000
CPS to be issued to Get Thrive upon Completion	738,130,482
	938,130,482
Pro forma net tangible assets attributable to the equity holders of the Company per share *(RMB)*	[REDACTED]

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that, up to the date of this circular, there has been no material adverse change in the Target Group's financial or trading position or prospects since 30 June 2014, being the date to which the Target Group's latest audited financial statements were prepared.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had only one class of shares in issue, namely Shares of HK$0.01 each. The authorised share capital of the Company is HK$10,000,000 divided into 1,000,000,000 ordinary shares of HK$0.01 each.

The following table sets out the share capital of the Company as adjusted for the issue of the CPS:

Authorised share capital

Shares		*HK$*
1,000,000,000	Shares as at the Latest Practicable Date	10,000,000
1,000,000,000	Shares to be increased pursuant to the relevant resolution proposed at the EGM	10,000,000
2,000,000,000		20,000,000
CPS		
738,130,482	CPS created pursuant to the relevant resolution proposed at the EGM	7,381,305

Issued share capital

Shares and CPS		HK$
200,000,000	Shares in issue as at the Latest Practicable Date	2,000,000
738,130,482	CPS to be issued	7,381,305
938,130,482	Shares and CPS immediately after Completion	9,381,305

The above table assumes that none of the conversion right attached to the CPS is exercised.

The Shares in issue as at the Latest Practicable Date and CPS to be issued represents 21.3% and 78.7%, respectively, of the enlarged issued share capital of the Company comprising the Shares and CPS immediately after Completion.

RANKING

The Shares rank equally among themselves and *pari passu* in all respects. Each CPS, when issued, shall have the same rights as each Share, save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company and as

expressly provided in their terms of issue. The Conversion Shares, when alloted and issued upon conversion of the CPS, will rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of their allotment and issuance.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, upon Completion and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of the Company in the hands of the public (within the meaning as defined under Rule 8.24 of the Listing Rules). The issue of the CPS (and the Conversion Shares upon conversion of the CPS) will be subject to the Company meeting the minimum public float requirement under the Listing Rules.

[REDACTED]

[REDACTED]

GENERAL MANDATES

By the resolutions of the Shareholders passed in the annual general meeting of the Company held on 25 June 2014, the Directors have been granted general and unconditional mandates to exercise the powers of the Company to:

(i) allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company then in issue (the "**Issue Mandate**");

(ii) repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, the Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company then in issue (the "**Repurchase Mandate**"); and

(iii) extend the Issue Mandate by an addition of an amount representing the aggregate nominal value of Shares repurchased under the Repurchase Mandate.

The Repurchase Mandate and the Issue Mandate will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the applicable laws of the Cayman Islands to be held; or (c) revocation or variation by an ordinary resolution of the Shareholders in a general meeting.

CONVENTION OF GENERAL MEETING AND CLASS MEETING

In accordance with the Articles and subject to the Companies Law, in the event of variation, modification or abrogation of any of the rights attached to the Shares or any class of shares, approvals by a special resolution passed at a separate general meeting of the holders of the shares of that class or consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class is required. For further details, please refer to the section headed "Summary of the Constitution of the Company and the Cayman Islands Company Law" set out in Appendix VII to this circular.

This section and other sections of this circular contain information and statistics relating to the PRC economy and the industry in which the Group and the Target Group operate. Certain information has been derived from official governmental sources and other industry sources. The Company believes that the sources of this information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Sole Sponsor, or any of their respective affiliates, directors, employees, agents or advisers. Such information may not be consistent with other information compiled within or outside China. Neither the Company nor the Sole Sponsor makes any representation as to the completeness, accuracy, or fairness of such information, and accordingly, such information should not be unduly relied upon.

SOURCES OF INFORMATION

Certain information in this section has been derived from official governmental sources and other industry sources, such as the Standard Commodity Trade Centre (西本新幹線電子商務有限公司), the National Bureau of Statistics of China and the Bureau of Statistics of Xi'an. The Company believes that the sources of this information are appropriate and reliable sources for such information and has taken reasonable care in extracting and reproducing such information. The Company or its connected persons and associates and/or the Sole Sponsor has not commissioned any research report in relation to this section.

To their best of knowledge and information and subject to the availability of up-to-date information from official government sources and other industry sources the Directors confirm that there were no material adverse change 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 PRC ECONOMY

The PRC economy has grown rapidly since China's accession to the World Trade Organisation in 2001 as a result of increasing inflow of foreign investment across all sectors of the economy. China's nominal GDP increased from approximately RMB34,090 billion in 2009 to approximately RMB56,885 billion in 2013 at a CAGR of approximately 13.7%, making China one of the largest and the fastest growing economies in the world.

Overall Economic Growth

China's economy has experienced remarkable expansion over the past five years. In 2009, the PRC government further boosted the economic momentum with the launch of its RMB4 trillion stimulus package after financial crisis in 2008. China was among the first economies in

the world to rebound from the global financial crisis and maintained positive economic growth throughout the crisis. According to real GDP statistics in 2010, China overtook Japan to become the world's second largest economy. In 2011, China held this position firmly with a nominal GDP of RMB47,310 billion. China's nominal GDP in 2013 climbed to RMB56,885 billion.

The table below sets out selected economic statistics for China for the years indicated.

	2009	2010	2011	2012	2013	1H2014
Nominal GDP (RMB billion)	34,090	40,151	47,310	51,932	56,885	26,904
Real GDP Growth Rate (%)	9.2%	10.4%	9.3%	7.8%	7.7%	7.5%
GDP per capita (RMB)	25,608	30,015	35,198	38,420	41,805	N/A
Real GDP per capita growth rate (%)	8.70%	9.90%	8.80%	7.20%	8.81%	N/A
Fixed asset investment (RMB billion)	22,460	27,812	31,149	37,468	44,707	21,277
Foreign direct investment (US$ billion)	94	115	124	121	118	63

Sources: National Bureau of Statistics of China

Urbanisation

In recent years, urbanisation in the PRC has been growing at a steady pace. Urbanisation rates rose from 48.3% in 2009 to 53.7% in 2013. The urban population has grown from 645 million in 2009 to 731 million in 2013, representing a CAGR of 3.2% during the same period. The increasing urbanisation has also helped drive the demand and investment in the PRC property market. The increase of urban population also has a direct impact on the increase of the disposable income per capita.

In March 2011, the China National People's Congress approved a new national economic and social development strategy for the years 2011 to 2015 (the "Twelfth Five-Year Plan"). The Twelfth-Five-Year Plan provides that one way to increase domestic consumption is by "actively yet steadily accelerating urbanization."

The table below sets out China's urbanisation rate for the periods indicated.

	2009	2010	2011	2012	2013	1H2014
Total population (million)	1,335	1,341	1,347	1,354	1,361	N/A
Urban population (million)	645	670	691	712	731	N/A
Urbanisation rate (%)	48.3%	49.9%	51.3%	52.6%	53.7%	N/A

Sources: National Bureau of Statistics of China; urbanisation rates have been calculated based on the source data.

Disposable income

The strong growth of the PRC economy has resulted in rising disposable income among the population in the PRC. Per capita disposable income of urban households in China reached RMB26,955 in 2013, representing a CAGR of 11.9%. Disposable income has a direct impact on domestic consumption, which includes spending on residential properties, commercial properties and retail sales.

The table below sets out China's per capita disposable income of urban households for the periods indicated.

	2009	2010	2011	2012	2013	1H2014
Per capita disposable income of urban households (RMB)	17,175	19,109	21,810	24,565	26,955	14,959

Source: National Bureau of Statistics of China

OVERVIEW OF THE PROPERTY MARKET IN THE PRC

The total amount of property investment in China rose from RMB3,624 billion in 2009 to RMB8,601 billion in 2013, representing a CAGR of 24.1%. During the same period, the total GFA of properties sold in China increased from approximately 948 million sq.m. in 2009 to approximately 1,306 million sq.m. in 2013, representing a CAGR of 8.3%, while the average selling price of overall properties increased from RMB4,681 per sq.m. to RMB6,237 per sq.m. during the same period, representing a CAGR of 7.4%.

Supply and demand for residential and for commercial uses properties have seen a steady increase over the same period. According to National Bureau of Statistics of China, CAGRs of total GFA completed and Total GFA sold of for residential properties were 7.2% and 7.6% from 2009 to 2013, respectively. CAGRs of total GFA completed and Total GFA sold of for commercial uses properties were 12.3% and 12.3%, respectively, during the same period.

China property market statistics

The table below sets out selected statistics relating to the overall PRC property market for the years or period indicated.

	2009	2010	2011	2012	2013	1H2014
Overall						
Total real estate investment (RMB billion)	3,624	4,826	6,180	7,180	8,601	4,202
Total GFA completed (thousand sq.m.)	726,774	787,439	926,199	994,250	1,014,350	382,150
Total GFA under construction (thousand sq.m.)	3,203,682	4,053,564	5,067,755	5,734,175	6,655,719	6,114,056
Total GFA sold (thousand sq.m.)	947,550	1,047,646	1,093,667	1,113,036	1,305,506	483,652
Residential properties						
Total real estate investment (RMB billion)	2,561	3,404	4,431	4,937	5,895	2,869
Total GFA completed (thousand sq.m.)	596,287	634,431	743,191	790,432	787,406	291,684
Total GFA under construction (thousand sq.m.)	2,513,288	3,147,601	3,877,060	4,289,641	4,863,473	4,371,946
Total GFA sold (thousand sq.m.)	861,849	933,766	965,284	984,675	1,157,227	424,872
Properties for commercial uses						
Total real estate investment (RMB billion)	418	565	742	931	1,194	617
Total GFA completed (thousand sq.m.)	68,237	82,826	94,726	102,265	108,524	43,534
Total GFA under construction (thousand sq.m.)	345,437	446,319	559,496	658,139	806,268	774,449
Total GFA sold (thousand sq.m.)	53,280	69,948	78,687	77,593	84,692	33,005

Source: National Bureau of Statistics

Average property prices in China

The table below sets out average selling prices of properties in the PRC for the periods indicated.

	2009	2010	2011	2012	2013	1H2014
Average selling price of overall properties (RMB/sq.m.)	4,681	5,032	5,357	5,791	6,237	6,437
Average selling price of commodity/ residential properties (RMB/sq.m.)	4,459	4,725	4,993	5,430	5,850	6,033
Average selling price of properties for commercial uses (RMB/sq.m.)	6,871	7,747	8,488	9,022	9,777	10,220

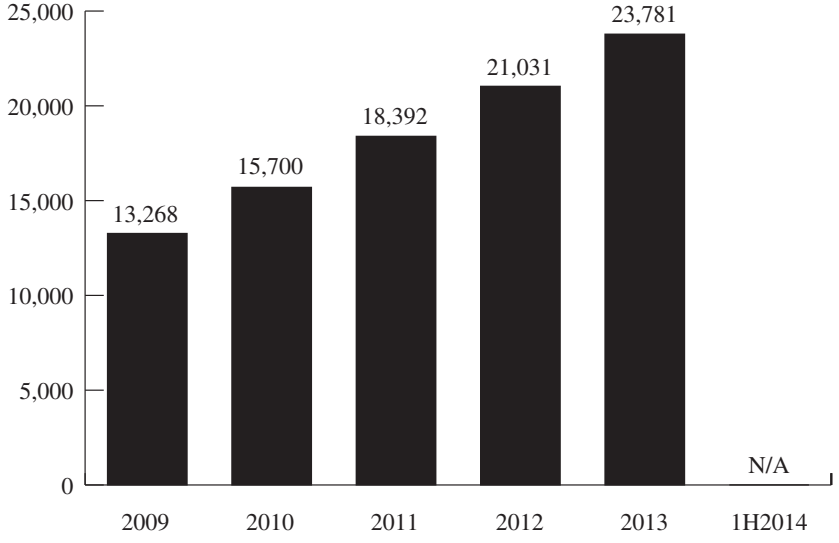
Source: National Bureau of Statistics

OVERVIEW OF THE RETAIL MARKET IN THE PRC

Benefit from increasing urbanization and disposable income per capita, the retail sales value saw growth in recent years. The rising disposable income and GDP supported the growth in retail market. The retail sales in China grew at a CAGR of 15.7% from 2009 to 2013.

The chart below sets out China's retail sales for the periods indicated.

Retail sales in China (RMBbn)



Source: National Bureau of Statistics of China

Overview of outlet market in China

Though the outlet market is matured in North America and Europe, the outlet market in China is fragmented and still in the initial development stage. Benefit from increasing per capita disposable income, the demand for luxury consumption grows rapidly. In recent years, a number of property developers, and department store and shopping mall operators have begun undertaking property development and investment for outlet style projects, primarily in the first- and second-tier cities in the PRC.

OVERVIEW OF XI'AN

Overview

Xi'an is the capital of Shaanxi province and is a world historical and cultural city. It is also the research, educational and industrial base in Western China. Xi'an's GDP increased from RMB272 billion in 2009 to RMB488 billion in 2013, representing a CAGR of approximately 15.7% over the same period. Per capita disposable income of urban households increased from RMB18,963 in 2009 to RMB33,100 in 2013, representing a CAGR of 14.9% over the same period.

Economic statistics of Xi'an

	2009	2010	2011	2012	2013	1H2014
Nominal GDP (RMB billion)	272	324	386	437	488	N/A
Real GDP Growth Rate (%)	14.5%	14.5%	13.8%	11.8%	11.1%	N/A
GDP per capita (RMB)	32,411	38,343	45,475	51,166	56,871	N/A
GDP per capita growth rate (%)	16.6%	18.3%	18.6%	12.5%	11.1%	N/A
Fixed asset investment (RMB billion)	250	325	335	424	513	N/A
Foreign direct investment (US$ million)	1,219	1,567	2,005	2,479	3,130	N/A

Sources: Bureau of Statistics of Xi'an; GDP per capita growth rates have been calculated based on sourced data

Urbanisation

Aiming to be an international metropolitan city in Western China, the urbanisation process in Xi'an has accelerated in the past with the urbanization rate increasing from 68.9% in 2009 to 72.0% in 2013. As the capital city of Shaanxi province, Xi'an also has a higher urbanization rate when compared to that of China from 2009 to 2013.

The table below sets out Xi'an's urbanisation rate for the periods indicated.

	2009	2010	2011	2012	2013	1H2014
Total population (million)	8	8	9	9	9	N/A
Urban population (million)	6	6	6	6	6	N/A
Urbanisation rate (%)	68.9%	69.0%	70.1%	71.5%	72.0%	N/A

Sources: Bureau of Statistics of Xi'an; urbanisation rates have been calculated based on the source data

Disposable income

Along with the economic development, per capita disposable of urban households in Xi'an has achieved rapid increase, reaching RMB33,100 in 2013, representing a CAGR of 14.9% from 2009 to 2013.

The table below sets out Xi'an's per capita disposable income of urban households for the periods indicated.

	2009	2010	2011	2012	2013	1H2014
Per capita disposable income of urban households (RMB)	18,963	22,244	25,981	29,982	33,100	N/A

Source: Bureau of Statistics of Xi'an

Xi'an property market

According to Bureau of Statistics of Xi'an, real estate investments (for all property types) increased by 24.5% to approximately RMB160 billion in 2013 from RMB128 billion in 2012. Total GFA (for all property types) sold in 2013 recorded an increase of 6.5% from 15,329 thousand sq.m. in 2012 to 16,328 thousand sq.m. in 2013. The average price of GFA (for all property types) sold increased by 7.8% to RMB6,634 per sq.m. in 2012 from RMB6,156 per sq.m. in 2011.

The table below sets out selected statistics relating to the property market in Xi'an in respect of residential and commercial property for the years indicated.

	2009	2010	2011	2012	2013	1H2014
Real estate investment (RMB billion)	69	84	100	128	157	77
Total sales revenue (RMB billion)	49	71	109	102	110	48
Residential properties						
GFA completed (thousand sq.m.)	4,535	4,124	5,661	9,038	6,632	3,959
GFA under construction (thousand sq.m.)	48,832	57,777	70,943	82,514	83,324	81,236
GFA sold (thousand sq.m.)	12,021	15,232	16,749	13,839	14,963	6,741
Sales revenue (RMB billion)	45	66	97	86	96	40
Average selling price (RMB/sq.m.)	3,749	4,341	5,830	6,224	6,435	N/A
Properties for commercial uses						
GFA completed (thousand sq.m.)	548	238	403	858	450	339
GFA under construction (thousand sq.m.)	3,639	4,272	5,481	7,427	8,546	7,168
GFA sold (thousand sq.m.)	330	228	577	695	614	398
Sales revenue (RMB billion)	3	2	8	9	7	5
Average selling price (RMB/sq.m.)	8,200	9,416	13,571	14,086	13,570	11,679

Sources: Xi'an Statistical Communiqué 2013; Bureau of Statistics of Xi'an

Xi'an retail market

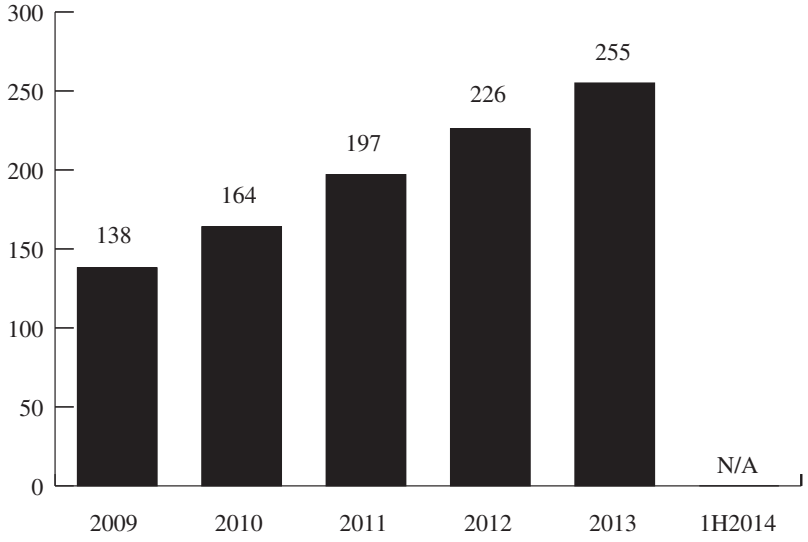
Favoured by its special historic and cultural heritage and geographical advantage, Xi'an has achieved higher retail sales growth than that of China from 2009 to 2013.

Xi'an is a popular location of choice for domestic and international retail brands in Western China and has also attracted many developers to develop commercial and urban complex projects in CBD and outskirt commercial areas of the city.

The retail sales in Xi'an have grown rapidly with a CAGR of 16.5% from 2009 to 2013, which is higher than the CAGR of 15.7% for retail sales in China during the same period.

The chart below sets out Xi'an's retail sales for the periods indicated.

Retail sales in Xi'an (RMBbn)



Source: Bureau of Statistics of Xi'an

Competitive landscape in Xi'an

The residential and commercial property market in Xi'an is highly fragmented with intense competition. The Target Group's existing and potential competitors include major domestic developers, ranging from unlisted local developers to listed national developers, and to a lesser extent, foreign developers primarily Asia, including leading property developers from Hong Kong.

The outlet market in Xi'an is fragmented and immature with limited scale for each outlet located in Xi'an. The Target Group's existing and potential competitors include property developers, and department stores and shopping mall operators, ranging from domestic local companies to listed national and overseas companies. The Target Group has the competitive advantage of having the capability to offer diverse product types in terms of the variety of property-mix and the Enlarged Group will have the ability to attract brand-name retailers as tenants for its outlets-backed integrated property projects.

Xi'an Economic-Technological Development District

Xi'an Economic-Technological Development District is located in the northern part of Xi'an, and is closely connected to the old city center, Xi'an Xianyang airport and Xi'an North Railway Station. Xi'an Economic-Technological Development District is one of the National Development Districts in Western China approved by the State Council of the PRC, enjoying both national and local beneficial policies. Since established, it has attracted various enterprises to establish their local headquarters and become a new economic and investment center in Xi'an and Western China.

HISTORICAL PRICE TREND OF CONSTRUCTION MATERIALS

Raw Material

The Purchasing Price Index of Raw Material, Fuel and Power ("**PPIRM**") is a common indicator or construction cost which is important to real estate developers. According to a report compiled by National Bureau of Statistics of the PRC, PPIRM – building material fluctuated during 2009 to 2013. The peak occurred in 2010 with an index of 105.9. However, the price of building material dropped in 2012 to an index of 98.6. In 2013, it rebounded to an index of 100.0. In general, the price of building material fluctuates year on year as a result of economic, political and social changes. The table below sets out PPIRM for the years indicated:

	2009	2010	2011	2012	2013	2009-2013 CAGR	1H2014
Purchasing Price Index of Raw Material, Fuel and Power – Building material	99.9	105.9	104.0	98.6	100.0	0.0%	100.5

Sources: National Bureau of Statistics of China

Steel Prices

The PRC steel prices fluctuated from 2009 to 2013. The steel product price index rose from an index of 3,910 in 2009 to the peak of 4,760 in 2010. Then it began to drop and reached 3,600 by the end of 2013. The table below sets out the steel price index for the years indicated:

	2009	2010	2011	2012	2013	2009-2013 CAGR	1H2014
Steel Product Price Index	3,910	4,760	4,480	3,800	3,600	(2.0%)	3,150

Sources: Standard Commodity Trade Centre (西本新干線電子商務有限公司)/(www.96369.net)

Cement Prices

The PRC cement prices have increased from 2009 to 2013. The average price of Common Portland Cement increased from RMB398 per ton in 2009 to RMB474 per ton in 2011, and then decreased to RMB463 per ton in 2013, representing a CAGR of 3.9% from 2009 to 2013. The table below sets out the average price of Common Portland Cement for the periods indicated:

	2009	2010	2011	2012	2013	2009-2013 CAGR	1H2014
Average price of Common Portland Cement *(RMB per ton)*	398	479	474	466	463	3.9%	438

Source: National Bureau of Statistics of China

REGULATORY OVERVIEW

Set out below is a summary of certain material aspects of the PRC legal and regulatory provisions relating to the operations and business of the Target Group. These include laws and regulations relating to land, real estate development, real estate management, FIREEs, insurance, environmental protection, taxation and foreign exchange control. For details on the austerity measures on the real estate market by the PRC government and how these measures will affect the business operations and future developments of the Target Group and the Enlarged Group, please refer to the section headed "Business of the Target Group – Austerity measures on the real estate market by the PRC government".

REGULATORY OVERVIEW ON REAL ESTATE MARKET IN THE PRC

Establishment of a real estate development enterprise

Pursuant to the Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the "**Urban Real Estate Law**") promulgated by the Standing Committee of the National People's Congress (the "**NPC**"), effective on 1 January 1995 and revised on 30 August 2007 and 27 August 2009, a "real estate developer" refers to an enterprise which engages in the development and operation of real estate for profit-making purposes. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (the "**Development Regulations**") promulgated by the State Council on 20 July 1998, and revised on 8 January 2011 and became effective on the same date, an enterprise engaging in real estate development must satisfy the following requirements in addition to other enterprise establishment conditions provided in the relevant laws and administrative regulations:

(i) its registered capital must be RMB1 million or more; and

(ii) 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 Development Regulations also stipulated that people's governments of the provinces, autonomous regions and/or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of real estate enterprises according to the local circumstances.

Pursuant to the Development Regulations, to establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce of the people's government at or above the county level, which should, in examining the application for the registration, seek the views of the real estate development authority at the relevant level. The developer must also report its establishment to the real estate development authority in the location of its registration within 30 days of receipt of its business licence.

FIREEs

Restrictions on foreign investment in real estate

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (2011 version) (《外商投資產業指導目錄(2011年修訂)》) (the "**Catalogue**") promulgated by MOFCOM and the NDRC on 24 December 2011 and became effective on 30 January 2012:

(i) the construction and operation of villas and golf courses by foreign investors is prohibited;

(ii) the mass development of land lots (土地成片開發) falls within restricted category and is only permitted for Sino-foreign equity joint ventures or Sino-foreign contractual joint ventures;

(iii) the construction and operation by foreign investors of high-end hotels, high-end office buildings and international conference centers falls within restricted category; and

(iv) foreign investment is generally permitted in all other real estate development.

To the extent permitted under the Catalogue, a foreign investor intending to engage in real estate development may establish an equity joint venture, a contractual cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and regulations regarding foreign-invested enterprises.

Specific Regulations on Foreign Investment in Real Estate Market

On 11 July 2006, the Ministry of Construction (now known as MOHURD), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued 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 Opinion**"). The 171 Opinion provides that: (i) foreign organizations and individuals plan to invest and purchase non-self-resided real estate in China shall establish Foreign-Invested Enterprises ("**FIEs**"), and regulations related to FIREEs shall be followed; branches or representative offices of foreign organizations established in China and foreign individuals who work or study in China for over a year are eligible to purchase commodity properties which match their real needs for self-use or self-residence under their real names; (ii) the registered capital of foreign-invested real estate corporations with total investments of more than US$10 million shall be no less than 50% of its total investment; (iii) FIREEs can apply for the formal FIE approval certificate and business licence only after they have paid back all the land premium and obtained the state-owned land use rights certificate; (iv) foreign investors shall pay off all the transfer price in a lump sum with their own funds if they acquire Chinese domestic real estate corporations or any equity interest held by Chinese parties in sino-foreign joint venture engaged in real estate industry; (v) 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 FIREEs have not paid their registered capital in full, or have not obtained the state-owned land use rights certificate, or the capital fund is less than 35% of the total investment amount in the intended development project; and (vi) by no means can Chinese or foreign investors make any commitment in any documents to guarantee a fixed return or fixed revenue in disguised form for any party in the contract.

On 23 May 2007, MOFCOM and SAFE jointly issued a Notice on Further Strengthening and Regulating the Approval and Administration regarding Foreign Direct Investment in the Real Estate Industry (《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》) (the "**No. 50 Notice**"). Under the No. 50 Notice, local commercial authorities should reinforce the approval and supervision process over FIREEs, and strictly control foreign fund from investing in high-end real estate development projects. For foreign-invested company intending to engage in the property development business, the land use rights, proper ownership should be obtained, or at least has entered into pre-contract grant or purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the proposed FIREEs will not be approved by the authorities. For existing foreign-invested company who intends to expand its operations into real estate development or operation or company who intends to engage in the operation or development of the new real estate project, they should undertake relevant procedures with the approval authority. Further, the No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of return investment (including by the same effective controller). It also prohibits Chinese or foreign investors in real estate joint ventures to reach any terms that aim to achieve a fixed return for either party. Once the local authority has approved the establishment of a FIREEs, it should file such approval with the MOFCOM in a timely manner. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for FIREEs who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises.

On 18 June 2008, MOFCOM issued the Notice on Doing a Good Job in Archival Filing of Foreign Investment in the Real Estate Industry (《商務部關於做好外商投資房地產業備案工作的通知》), which became effective on 1 July 2008 and simplifies the procedures of archival filing of foreign investment in the real estate industry. The competent provincial departments of commerce are authorised to check the archival materials on foreign investment in the real estate industry. After legally approving the matters on foreign investment in real estate (including but not limited to establishment of enterprise, increase of capital or shares, share transfer, merger and acquisition), the competent local departments of commerce shall submit the materials, which should be submitted to MOFCOM for archival purposes, to the competent provincial departments of commerce for checking. The provincial departments of commerce, when confirming that the materials are in line with relevant laws and regulations, shall submit the completed Archival Form for Foreign Investment in the Real Estate Industry to MOFCOM for filing. MOFCOM will carry out spot checks on FIREEs along with the relevant departments of the State Council. For a FIREE

which fails to conform to the current provisions after checking, MOFCOM shall notify the foreign exchange administrative department to cancel the foreign exchange registration of the enterprise, and cancel its foreign investment statistics.

On 10 May 2013, SAFE issued the Notice on Printing the Regulations on Administration of Foreign Exchange Concerning Onshore Direct Investment by Foreign Investors and the Supporting Documents, the "**No. 21 Notice**" (《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》), which became effective on 13 May 2013. This notice abolishes 24 previous regulations and further simplifies and clarifies the foreign exchange administration with respect to onshore foreign direct investment.

On 28 April 2013, the SAFE issued Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and Operational Guidelines on Administrative for Foreign Debt Registration (《外債登記管理操作指引》) both of which became effective on 13 May 2013. The above mentioned regulations stipulates, among other things, that (i) SAFE will not process foreign debt signing registrations for foreign invested real estate companies who obtained authorization certificates from and registered with MOFCOM on or after 1 June 2007; (ii) only FIREEs established before 1 June 2007 could borrow foreign debt within the balance of its total investment amount and the registered capital; and (iii) if the investor(s) FIREEs have not paid off all of the registered capital, or FIREEs have not obtained the State-owned Land Use Right Certificate, or the capital of the project is less than 35% of the total investment amount, such companies could not borrow foreign debt.

On 24 June 2014, MOFCOM and SAFE jointly issued the Notice on Improving Archival Filing of Foreign Investment in the Real Estate Industry(《商務部、外匯局關於改進外商投資房地產備案工作的通知》商資函[2014]340號)(the "**Notice 340**"), which became effective on 1 August 2014. This notice further simplifies the procedures of archival filing of foreign investment in real estate industry. The form of archival filing in MOFCOM change from paper materials to electronic data, and checking in the course and afterwards. MOFCOM entrusts the provincial commerce administrative authorities to verify filing materials for foreign investments in real estate industry. The provincial commerce administrative authorities shall, jointly with the relevant provincial authorities, verify the aforesaid materials and the electronic data in the record system pursuant to the relevant provisions of laws and regulations on foreign investments, current provisions on foreign investment in real estate industry. MOFCOM shall conduct weekly random checks on foreign invested real estate enterprises which passed the archival filing. The notice clearly defines that the archival filing of foreign investment in real estate industry shall directly be conducted by provincial commerce administrative authorities, but the filed foreign company by provincial commerce administration authorities still shall issue the public announcement on the MOFCOM website.

Qualification of a real estate developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction (now known as MOHURD) on 29 March 2000, a real estate developer must apply for a qualification classification certificate. An enterprise may not engage in the development and operation of properties without a qualification classification certificate for real estate development. The Ministry of Construction (now known as MOHURD) is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are divided into four classes:

(i) Class 1 qualification is subject to preliminary examination by the construction authorities at the provincial level and the final approval of the Ministry of Construction (now known as MOHURD). 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.

(ii) Classes 2, 3 or 4 qualifications are regulated by the construction authorities at the provincial level. A real estate developer of the Class 2 qualification or lower may undertake a project with a GFA of less than 250,000 sq.m., and the detailed business scope of the developer of the Class 2 qualification or lower is determined 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 mainly considering their registered capital and financial condition, the length of time they have conducted real estate development business, the professional personnel they employ, the performance and operating results from their past real estate operations and their quality control systems. 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 real estate developer shall only conduct the real estate development in compliance with the approved class of qualification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. An enterprise applying for a provisional qualification certificate must at least meet the minimum conditions set for an enterprise with Class 4 qualification. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. No extension will, however, be granted if an enterprise fails to commence any development project within one year upon the receipt of the provisional

qualification certificate. In addition, the real estate developer must apply for formal qualification classification certificate to the real estate development authority within one month prior to the expiration of its provisional qualification certificate. Engagement in real estate development and operation by a developer without obtaining the required provisional or formal qualification certificate, or by overstepping its qualification class, may result in a fine ranging from RMB50,000 to RMB100,000 and, if such failure is not rectified within the specified time limit, revocation of the developer's qualification certificate and business licence.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of Class 1 real estate developer's qualification. Procedures for annual inspection of developers of Class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

LAND FOR REAL ESTATE DEVELOPMENT

Overview

All land in the PRC is either state-owned or collectively-owned, mainly depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas and the suburban areas and all farm land are, unless otherwise specified by law, collectively-owned. The state may expropriate or requisition the land in accordance with law if required for the public interest (and compensation must be paid by the state).

Although all land in the PRC is owned by the state or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land grant

In April 1988, the NPC passed an amendment to the Constitution of the PRC. The amendment, which allowed the transfer of land use rights for value, paved the way for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC (《中華人民共和國土地管理法》) to permit the transfer of land use rights for value. On 19 May 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Transfer of the State-owned Land Use Rights in Urban Areas (《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》) (the "**Urban Land Regulations**"). The Urban Land Regulations formalized the process of the grant and transfer of land use rights for consideration. Under this system, the state retains the ownership of the land. However, the right to use the land, referred to as land use

rights, can be granted by the state and local governments at or above the county level for a maximum period of 70 years for specific purposes pursuant to a land grant contract and upon payment to the state of a premium for the grant of land use rights.

The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of land	**Maximum period** *(Years)*
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Commercial, tourism, entertainment	40
Comprehensive utilization or others	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not resume possession of lawfully-granted land use rights prior to expiration of the term of grant. Should the public interest require the resumption of possession by the state under special circumstances during the term of grant, compensation shall be paid by the state, on the basis of the period of which the land user has used the land and the status with respect to the development and utilization of the land. Subject to compliance with the terms of the land grant contract and the requirements of city planning, a holder of land use rights may, during the grant term, develop, utilize and manage the land.

Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Property Rights Law of the PRC (《中華人民共和國物權法》) (the "**Property Rights Law**"), which was effective as of 1 October 2007, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if public interest requires the resumption of possession of land by the state during the term of the relevant land use rights, owners of residential properties and other real estate on the land shall be compensated and the relevant land premium shall be refunded to them.

Modes of land grant

Pursuant to PRC laws and the stipulations of the State Council, except for land use rights which may be obtained through allocation (劃撥), land use rights for property development are obtained through governmental grant. There are two methods by which land use rights may be granted, namely by private agreement or competitive processes (i.e. tender, auction or listing at a land exchange administered by the local government).

Under the Urban Land Regulations, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a premium to the state as consideration for the grant of the land use rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the land use right within his terms of use. Under the Provisional Regulations on Grant and Transfer, the land administration authority under the local government of the relevant city or county shall enter into a grant contract with the land user for a grant of land use right. The land user shall pay the premium as stipulated in the grant contract. After paying the premium in full, the land user shall register with the land administration authority and obtain a Land Use Right Certificate. The Land Use Right Certificate is an evidence of the acquisition of land use rights.

The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listing-forbidding (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the MLR on 9 May 2002 (the "**2002 Regulations**") and revised as of 28 September 2007 by the Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Putting up for Bidding (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the "**2007 Regulations**"). Following the 2002 Regulations, the MLR issued the Notice on Continuing the Review of the Implementation of the Grant of Land use Rights for Commercial Uses by Invitation of Bids Auction or Listing (《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》) on 31 March 2004, requiring all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the MLR required that with effect from 31 August 2004, the grant of land use rights must be made pursuant to auctions or listing at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) issued by the State Council on 29 April 2004, the conversion from agricultural land to non-agricultural construction land was suspended during the rectification period by the PRC government of irregularities in land development in China. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, must be granted by way of competitive processes. A number of measures are provided by the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the granting of a certain piece of land, and its decision regarding land granting designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the state-owned land use rights certificate upon full payment of the land premium of the granted land according to the state-owned land grant contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-for-bidding must be made 20 days prior to the date on which such competitive process begins. Further, it also stipulated that for listing at a land exchange, the time period for accepting bids must be no less than 10 days. On 13 May 2011, the MLR promulgated the Opinions on

Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which provides, among other things, that (i) correct utilization of the regulating and controlling effects of the land transfer policy through tender, auction and listing; (ii) improvement in the transparency of the system of tender, auction and listing for housing land; (iii) adjustment and improvement in the land transfer policy through tender, auction and listing, including (a) limitation on house price or land price, and transfer of policy-related housing land by listing or auction; (b) limitation on the GFA of allocated security housing, and transfer of commodity housing land by listing or auction; (c) carrying out of comprehensive assessment on conditions of land development and utilization and land transfer prices, and determination of the person who is entitled to land use rights by tender; (iv) promotion of online operation of the transfer of land use rights; and (v) improvement in the contracts for land transfer through tender, auction and listing.

In the case of tender, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land premium before obtaining the state-owned land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

Where land use rights are granted by way of listing-for-sale administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

Land use rights are granted by way of bilateral agreement is subject to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (《協議出讓國有土地使用權規定》) promulgated by the MLR, effective on 1 August 2003. The local land bureau, together with other relevant government departments, including the city planning authority, will formulate the plan concerning the grant, including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, and submit such plan to the relevant government for approval. Afterwards, the local

land bureau and the relevant party will negotiate and enter into the land grant contract based on the above-mentioned plan. Only when the methods of tender or auction are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central government. For land in areas with benchmark land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70% of the benchmark land price of the relevant land category. Only when there is only one prospective land user on the land to be granted, may the land authority grant the land use right through bilateral agreement, with the exception of commercial land used for business, tourism, entertainment, commodity properties and others. If two or more parties are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or listing at a land exchange in accordance with the 2007 Regulations. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a Land Use Right Certificate as evidence of the acquisition of the land use right.

According to the Notice of the MLR on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (《關於加強城市建設用地審查報批工作有關問題的通知》) enacted by the MLR on 4 September 2003 (the "**Notice**"), from the day of promulgation, land use for luxurious commodity houses shall be stringently controlled, and applications for land use rights to build villas shall be stopped.

According to the Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Edition) and the Catalogue for Prohibited Land Use Projects (2012 Edition) (《關於印發〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》) promulgated by the MLR in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and plot ratio which is not less than 1.0. In addition, the development of villa-type property projects, golf course projects, racing course projects, and the new establishment, renovation and expansion of training centers (stations) and the construction of different facilities or venues with reception functions, such as accommodation, conference and catering, of the party and government agencies (including state-owned enterprises and units) fall within the category of prohibited land use projects.

Land transfers from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract or a joint-develop agreement with the land user. The assignment contract or joint-develop agreement must be registered with the relevant local land bureau at the municipal or county level for land use right title change purposes. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

The assignment contract or the joint-develop agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, pursuant to the Provisions on the Administration of Transfer of Urban Real Estate (《城市房地產轉讓管理規定》) (the "**Real Estate Transfer Provisions**") promulgated by the Ministry of Construction (now known as MOHURD) in August 1995, as amended in August 2001, at least 25% of total construction costs, excluding land premiums, shall be expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

DEMOLITION AND RELOCATION

On 21 January 2011, the Demolition Regulation was repealed and replaced by the Regulation on the Expropriation and Compensation of Buildings on State-owned Land (《國有土地上房屋徵收與補償條例》) (the "**Expropriation and Compensation Regulation**"), which was promulgated by the State Council and came into effect on the same date. The Expropriation and Compensation Regulation provides, among other things, that:

(i) buildings can be expropriated under certain circumstances for public interests and the building expropriation authorities may designate an entity, which shall not operate for profits, to undertake the specific implementation work on building expropriation and compensation;

(ii) the expropriated owners of buildings that are located on state-owned land, are entitled to compensation, which shall be made prior to the relocation;

(iii) compensation agreements shall be entered into between expropriated owners and the house-expropriation departments to be appointed by the city or county government, as to the compensation methods, compensation amount, payment terms and other relevant issues;

(iv) compensation may be effected by way of monetary compensation or exchange of property rights; and compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of an expropriation decision is posted. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. If any owner does not agree with the appraised market value of the property, he can apply to the real estate appraisal institution for re-appraisal;

(v) no enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods; and

(vi) in the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnity according to the application of the house-expropriation departments and published government notices within the area of the expropriation.

The Measures of Expropriation and Evaluation of Properties on State-owned Land (《國有土地上房屋徵收評估辦法》), promulgated and implemented on 3 June 2011, stipulates:

(i) the value of the expropriated property is the sum which transaction parties familiar with the situation would make the deal at the time of evaluation and in the way of fair transaction, excluding factors such as lease, pledge and seizure;

(ii) the market value of the property used for exchanging the ownership of expropriated property shall be confirmed by evaluation. The time of the evaluation of expropriated property is the day when the property expropriation decision is posted. The time of the value evaluation of the property used for exchanging the ownership shall be the same as the time of the value evaluation of expropriated property; and

(iii) the value evaluation of expropriated property shall consider the factors such as the location, use, construction structure, construction area and land use right of expropriated property. The expropriation parties shall negotiate to confirm the value of interior decoration of expropriated property, moving fees of machinery equipments and materials and the compensation for the losses of stopping production or business; if the parties fail to reach an agreement, the expropriation parties can entrust a real estate pricing institution to evaluate and confirm the price.

CIVIL DEFENCE PROPERTY

According to the PRC Law on National Defence (《中華人民共和國國防法》) promulgated by the NPC in March 1997, as amended in August 2009, national defence assets are owned by the state. According to the Civil Air Defence Law (《中華人民共和國人民防空法》) promulgated by the NPC in October 1996, as amended in August 2009, civil defence is an integral part of national defence. The Civil Air Defence Law encourages the public to invest in the construction of civil defence property. Investors in civil defence are permitted to use (including lease), manage the civil defence property in time of peace and profit therefrom.

According to PRC Law on National Defence, the Civil Defence Law, the Property Law of the People's Republic of China (《中華人民共和國物權法》), Measures of the Development and Utilization of Civil Air Defense Construction during Peacetime (《人民防空工程平時開發利用管理法》), several Opinions regarding Further Advancing the Development of Civil Air Defense by the State Council and the Central Military Commission (《國務院、中央軍委關於進一步推進人民防空事業發展的若干意見》), the construction of new buildings in cities should contain certain basement areas which may be used for civil air defense purposes in time of war. In times of peace, such areas can be used and managed by entities or persons investing in their construction and any revenue generated from the use of such areas belongs to such investors. However, in times of war, such areas may be used by the government at no cost.

DEVELOPMENT OF REAL ESTATE PROJECT

Commencement of real estate development projects and idle land

Commencement of real estate development projects

According to the Urban Real Estate Law, where a real estate development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of the development must be set out in the land use rights grant contract. Where the development does not commence within one year from the specified date set out in the land use rights grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be forfeited without any compensation, unless the delay is caused by force majeure, acts of the government or the carrying out of the necessary preparatory work before development can commence.

Idle land

According to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on 28 April 1999 (the "**1999 Measures**"), "idle land" refers to land granted for use but laying idle because the land user fails to commence development and construction before the specified commencement date without the consent of the government which approved the use of the land. Where the land is deemed "idle land", relevant municipal or county land administrative departments (the "**Land Administrative Authorities**") shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Land Administration Authorities are responsible for implementing the disposal plan after such plan has been approved by the government which originally approved the use of the land. The methods of disposal of idle land include, among others, the following:

(i) extending the development and construction period by no more than one year;

(ii) changing the use of the land, and continuing development and construction afterwards;

(iii) arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions; where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value;

(iv) exchanging the land with other idle land of the same value or with construction land for development and construction;

(v) granting or allocating the land to a new land user by bidding or auction and compensating the former land user, the new land user shall develop or construct the construction project on original basis; or

(vi) entering into agreements with the land user regarding the recovery of land use right. In case that the former land user is in need of land, the government shall grant or allocate land of the same value accordingly.

Where the idle land is due to acts of the state or relevant governmental authorities and the land user has partly paid the purchase price (including any compensation or resettlement cost) for the land, in addition to the methods provided above, the state may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee, while the remaining part of the land will be withdrawn by the government.

The 1999 Measures was amended on 22 May 2012 as the Measures on Disposal of Idle Land (《閒置土地處置辦法》) was promulgated on 1 June 2012 and implemented on 1 July 2012 (the "**2012 Measures**"). Pursuant to the 2012 Measures, land can be defined as idle land under any of the following circumstances:

(i) development and construction of the land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or

(ii) the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval (the "**Other Idle Land**").

Where the delay of commencement of development is caused by the government's behavior or due to the force majeure of natural disasters, the Land Administrative Authorities shall discuss with the state-owned construction land use right owner and choose the following methods for disposal:

(i) extending the time limit of the start of development. The government and the state-owned construction land use right owner shall enter into the supplemental agreement and re-specify the time limit of the start of development and construction completion and the liability for breach of contract. The time limit of the start of development shall not be extended over one year from the date of the start of development specified on the supplemental agreement;

(ii) adjusting the land use and planning conditions. The relevant land use procedure shall be re-gone through and the land fees shall be checked, collected or returned according to the new land use or planning conditions;

(iii) the government arranges temporary use for the idle land. The state-owned construction land use right owner shall re-develop and construct the idle land till the former project satisfies the requirements of development and construction. The time limit of temporary use shall not be over two years from the day of temporary use arranged;

(iv) getting back the use right of the state-owned construction land with compensation;

(v) exchanging the idle land. When the land fees of the idle land have been paid up, the project fund has been completed and the idleness is caused by the plan amendment according to the law, the government can exchange other state-owned construction land of same value and use for the state-owned construction land use right owner to develop and construct. As for the grant land, the state-owned construction land use right owner and the government shall re-enter into land grant contract which shall specify the land as the exchange land; and

(vi) the Land Administrative Authorities can stipulate other disposal ways according to the actual situation.

Save for the above item (iv), the time of the commencement of development shall be redated according to newly agreed or stipulated time. The Other Idle Land shall be disposed of according to the above-mentioned disposal methods.

If the delay of commencement is caused by other reasons, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to no more than 20% of the land grant premium may be levied. If the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation.

The Urgent Notice to Further Strengthen Land Management at Current Stage (《關於當前進一步從嚴土地管理的緊急通知》) issued by the MLR on 30 May 2006 provides that (i) the dates of construction commencement and completion shall be clearly stated in the state-owned land use rights grant contracts; and (ii) the penalty on idle land shall be strengthened. Where the idle land fee should be levied, it shall be levied at the highest level in accordance with the law. Where the idle land should be reclaimed without compensation, it must be absolutely reclaimed back in accordance with the law.

On 8 September 2007, the MLR promulgated the Notice on Strengthening the Disposing of Idle Land (《關於加大閒置土地處置力度的通知》), providing that the surcharge on idle land shall be 20% of the land grant premium in principle and where the confiscation measure is required in accordance with the law, such measure shall be strictly implemented.

On 3 January 2008, the State Council issued the Notice on Promoting the Saving and Intensive Use of Land (《國務院關於促進節約集約用地的通知》). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be taken back free of charge absolutely and rearranged for other uses. If the land does not meet the statutory conditions for recovery, it must be timely dealt with and fully used through changing its uses, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land surcharge must be collected at 20% of the land grant premium. If the land premium has not been completely paid off according to the contract, no land certificate may be granted, and it is also prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant fee.

According to 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的通知》) issued by the State Council on 7 January 2010, the land resource authorities shall strengthen the investigation and handling of idle lands.

Planning of real estate development projects

The Law of the PRC on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) (the "**Urban and Rural Planning Law**") was promulgated by the Standing Committee of the NPC in October 2007 and became effective on 1 January 2008. The Urban and Rural Planning Law provides, among other things, that if land use rights are obtained by way of allocation, the developer shall apply to the relevant urban and rural planning authorities for a site selection opinion before applying to other relevant authorities for approval or consent. This law also specifies that if the land use rights are obtained by way of allocation within the planning zones of cities or towns, the developer shall, before applying to the Land Administrative Authorities at or above the county level for land use rights, apply for the construction land planning permit from the relevant urban and rural planning authorities of that city or town after obtaining the approval or consent of other relevant authorities. Further, if land use rights are obtained by way of grant within the planning zones of cities or towns, relevant urban and rural planning authorities shall, prior to the granting of land use rights, specify the planning conditions such as the location, nature of use and permitted density of the development and integrate the planning conditions into the grant contract of the land use rights. Land without planning conditions cannot be granted. After a grant contract of land use rights is executed, the developer needs to apply to urban and rural planning authorities of the city or county for the construction land planning permit along with the required documents. After obtaining a construction land planning permit, the real estate developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction work planning permit from the relevant urban planning authority. If a development is within the planning zones of a city or town, the developer needs to apply to urban and rural planning authorities of the particular city or county, or to the township government specified by the provincial level government for a planning permit for construction in a rural area. The development of projects must comply with the planning conditions and an application must be filed with the urban and rural planning authorities of the relevant city or county if any amendments to the planning conditions are necessary. Within six months of the completion of projects, a developer needs to file documents in respect of the inspection and assessment by government authorities of completed project with the urban and rural planning authorities.

Construction work commencement permit

After a real estate developer has obtained the construction land planning permit and the construction work planning permit, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with the relevant requirements and funds for construction are available, the real estate developer shall apply for a construction work commencement permit from the construction authority under the local people's government above the county level in accordance with 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 (now known as MOHURD) on 15 October 1999 and revised and became effective on 4 July 2001.

Completion of a real estate project

Construction projects shall be delivered for use only after passing the inspection and acceptance under the Construction Law of the PRC (《中華人民共和國建築法》) (the "**Construction Law**") which became effective on 1 March 1998 and was amended on 22 April 2011. A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. After construction of a project is completed, the real estate developer shall organize an acceptance examination by relevant government authorities and experts according to the Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) promulgated and implemented by State Council on 30 January 2000 and 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 MOHURD on 2 December 2013. The developer shall make archival filing to the departments in charge of project construction of the relevant local governmental authorities above the county level in the area where the projects are constructed within 15 days after the projects have successfully passed the completion acceptance inspection, pursuant to the Measures for Filing 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 (now known as MOHURD) on 4 April 2000 and amended on 19 October 2009. A real estate development project may only be delivered after passing the inspections and acceptances by the competent institutions. For a housing estate or building complex, an acceptance examination shall be conducted upon completion of the entire project. In the case of a cluster of real estate development projects, such as a residential area developed in phases, separate acceptance examinations may be carried out for each completed phase.

Environmental protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (《建設項目竣工環境保護驗收管理辦法》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

REAL ESTATE TRANSACTION

Transfer of real estate

According to the Real Estate Transfer Provisions (《城市房地產轉讓管理規定》), a real estate owner may sell, give as a gift 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 concurrently. The parties to a transfer shall 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.

If the land use rights are originally obtained by grant, the real property may only be transferred on the condition that (i) 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 obtained; (ii) development has been carried out according to the land grant contract; and (iii) in the case of a project in which buildings are being developed, development representing more than 25% of the total project investment has been completed, or in case of a whole land lot development project, construction works has 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 levelled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the rights and obligations clearly indicated in the land grant contract shall be transferred along with the real estate. The term of the land use rights after transfer of the real estate shall be the balance of the original term provided by the land grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the usage of the land provided in the original land grant contract, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to, *inter alia*, adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. After the competent authority approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Sale of commodity properties

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) (the "**Measures for Sale of Commodity Properties**") promulgated by the Ministry of Construction (now known as MOHURD) on 4 April 2001 and became effective on 1 June 2001, the sale of commodity properties can include both sales prior to the completion of the properties and sales after the completion of the properties.

Pre-sale permit of commodity properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) (the "**Pre-sale Measures**") promulgated by the Ministry of Construction (now known as MOHURD) on 15 November 1994, as amended on 15 August 2001 and 20 July 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sale permit. The pre-sale of commodity properties is required to meet the following conditions:

(i) the related land premium having been fully paid up and a land use rights certificate having been obtained;

(ii) a construction work planning permit and a construction work commencement permit having been obtained; and

(iii) the funds invested in the development of the commodity properties intended for presale representing 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates having been properly determined.

Supervision on proceeds of pre-sale of commodity properties

Under the Pre-sale Measures and Urban Real Estate Law, the pre-sale proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

On 13 April 2010, the Ministry of Construction (now known as MOHURD) promulgated the Notice on Further Strengthening the Supervision and Administration of Real Estate Market and Improving the Commodity House 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 stipulates, among other things, that:

(i) for the commodity house projects which have not obtained the pre-sale permissions, real estate development enterprises shall not conduct any pre-sale activity, or collect fees from purchasers in the nature of deposit or reservation fee in forms of subscription, reservation, number arrangement and VIP card distribution and shall not engage in any sales exhibition. For those which have obtained the pre-sale permissions, real estate development enterprises shall carry out one-time publications of the sources of all houses permitted to sell and the price of each house within ten days, and sell the houses strictly at the prices reported and definitely posted. Real estate enterprises shall not sell the houses to any third party, of which the titles have been reserved by themselves, prior to the initial registration of the titles, or pre-sell the commodity houses in the methods of return-cost sale or after-sale lease arrangement or engage in any false transaction;

(ii) the smallest scale set by a pre-sale permission shall not be smaller than a building, and the pre-sale permission shall not be proceeded by floor or unit;

(iii) real estate development enterprises shall sell commodity houses according to the presale plans for commodity houses. Major alteration in the pre-sale plans shall be reported to the competent authority and made public;

(iv) real-name system shall be strictly implemented in the sale of commodity houses, and changes of the names of the purchasers without permission are not allowed after subscription. Pre-sale shall be rescinded if the purchaser does not enter into pre-sale contract within the time limit after subscription, and the houses upon rescission shall be sold to the public; and

(v) the supervision mechanism of pre-sale proceeds shall be perfected. For areas where a supervision system of pre-sale proceeds has been set up, measures shall be taken to promote the system. For areas where a supervision system of pre-sale proceeds has not been set up, the regulations on supervision of pre-sale proceeds shall be enacted as soon as possible. All of the pre-sale proceeds of commodity properties shall be put into custody accounts, which shall be supervised and managed by relevant regulatory authorities in order to ensure the proceeds to be used for commodity properties construction. Pre-sale proceeds may be allocated according to the construction progress, provided that adequate fund has been reserved for completion and delivery of the projects.

Sales after the completion of commodity properties

Under the Measures for Sale of Commodity Properties, commodity properties may be put to post-completion sale only when the following preconditions have been satisfied:

(i) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business licence and a qualification certificate of a real estate developer;

(ii) the enterprise has obtained a land use rights certificate or other approval documents of land use;

(iii) the enterprise has obtained the construction project planning permit and the construction work commencement permits;

(iv) the commodity properties have been completed and been inspected and accepted as qualified;

(v) the relocation of the original residents has been well settled;

(vi) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; and

(vii) the property management plan has been completed.

The Provisions 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 16 March 2011 and became effective on 1 May 2011. According to the provisions, any real estate developer or real estate agency (the "**Real Estate Operators**") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require 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 development projects that have received property pre-sale licence or have completed the filing procedures for the sales of constructed properties, Real Estate Operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, Real Estate Operators are obliged to disclose this information and to disclose the actual transaction price. Real Estate Operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, Real Estate Operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

On 4 November 2010, the Ministry of Construction (now known as MOHURD) and SAFE collectively promulgated the Notice on Further Regulating the Administration on House Purchase by Overseas Organization and Individual (《關於進一步規範境外機構和個人購房管理的通知》), which stipulates that, except as otherwise stated in laws and regulations, an overseas individual shall solely purchase one unit of owner-occupied residential house, and an overseas organization with a branch or representative office set up in the PRC shall solely purchase non-residential house necessary for business operations in the city where it is registered.

On 26 February 2013, the State Council issued the Notice of the State Council on Continuity to Well Manage the Central Control Work 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》) which requires, among other things, to:

(i) stick to suppress the investment purchasers, measures including continuing to implement and improve the purchase restriction measures; using the effect of tax to adjust the real estate price, the tax bureau and housing construction departments shall closely coordinate and shall levy individual income tax at a tax rate of 20% according to the regulations; and

(ii) improving the market supervision and anticipation management; strengthening the administration on the credibility of real estate development enterprises; studying the establishment of shared credit management system among housing and urban construction, development and reform, land and natural resources, finance, taxation, industry and commerce, statistics and other departmental, timely recording and releasing the illegal behavior of the real estate enterprises. For enterprises setting up extraordinarily high prices for the pre-sale commodity properties and accepting no price guidance from the relevant urban housing construction authorities, or not having established pre-sale proceeds supervision mechanism for commodity properties projects, pre-sale permit shall not be issued. If real estate enterprises have idle land or conduct activities like land speculation, keeping the properties off the market, driving up prices and other illegal acts, the relevant departments shall establish a linkage mechanism and intensify relevant punishment. The land and resources department shall prohibit the enterprises from participating in land bidding, the banking financial

institutions shall not grant new loans for development projects, the securities regulatory authorities shall suspend the approval of its listing, refinancing or significant asset restructuring and the banking supervision departments shall prohibit the enterprises from financing through trust scheme.

Mortgage of real estate

The mortgage of real estate in the PRC is mainly governed by the Property Rights Law, the Security Law of the PRC (《中華人民共和國擔保法》), and the Urban Real Estate Law and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other attachments on the ground may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use right of the land on which the building is situated. The mortgagor and the mortgagee shall sign a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee. If a mortgage is created on a commodity building put to pre-completion sale or on a work-in progress basis, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the rights and ownership to the real estate.

Lease of real estate

Under the Urban Real Estate Law (《中華人民共和國城市房地產管理法》) and the Measures for Administration of Leases of Commodity Properties (《商品房屋租賃管理辦法》), promulgated by the Ministry of Construction (now known as MOHURD) on 1 December 2010 and became effective on 1 February 2011, parties to a building lease should enter into a written lease contract specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights shall not exceed 20 years and the lease agreement becomes effective upon signing and it must be registered with the relevant real estate administrative authority within 30 days after its execution mainly for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. Whenever a lease is signed, amended, extended or terminated, the parties are required to register the details with the relevant real estate administrative authority. Parties that fail to do so, even after being ordered by the relevant authorities, will be subject to a fine.

The Property Rights Law

Pursuant to the Property Rights Law (《中華人民共和國物權法》) promulgated by the NPC on 16 March 2007 and became effective on 1 October 2007, the property rights of the state and collectives, individuals or other right holders shall be under the protection of law, and no entity or individual may infringe such rights. The owners of properties shall be entitled to possess, use and seek proceeds from and dispose of the properties, and be entitled to transfer, exchange, use as equity contributions, endow or mortgage the properties in accordance with PRC laws. The varieties and contents of property rights shall be stipulated by law, and the creation, change, transfer or elimination of the property rights of property shall be registered according to law. Except otherwise prescribed by law, the creation, change, transfer or elimination of the property rights of property shall become effective only after it is registered according to law.

REAL ESTATE LOANS

Commercial bank loans

On 5 June 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Related Credit (《關於進一步加強房地產信貸業務管理的通知》), specifying the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

(i) property development loans should be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. For property developers with commodity houses of high vacancy rate and debt ratio, strict approval procedures shall be applied for their new property development loans and their activities shall also be in the focus of attention;

(ii) loans to governmental land reserve institutions shall be mortgage loans, the amount of which shall not exceed 70% of the assessed value of the purchased land, and the term of the loans shall not exceed two years. Commercial banks shall not issue loans to real estate enterprises for the purpose of paying for land premiums;

(iii) 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 first instalment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment shall be increased; and

(iv) when a borrower applies for mortgaged loan of individual commodity house, the mortgage ratio shall not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity house shall be duly completed and inspected.

On 12 August 2003, the State Council published the Notice by the State Council on Facilitating Sustained and Healthy Development of the Real Estate Market (《國務院關於促進房地產市場持續健康發展的通知》), which provides a series of measures to control the real estate market, including, but not limited to, enhancing the gathering and granting of public housing fund (住房公積金), perfecting the security of the residential loan and strengthening the supervision of real estate loans. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

On 30 August 2004, the CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》). According to the guideline, no loans shall be granted in relation to projects which have not obtained requisite land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits. The guideline also stipulates that not less than 35% of the investment in a property development project must be funded by the real estate developer's own capital for the project in order for banks to extend loans to the real estate developer. In addition, the guideline notes that commercial banks should set up strict approval systems on granting loans.

On 16 March 2005, the PBOC promulgated the Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves for Commercial Banks (《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》), which cancels the preferential mortgage lending interest rate for individuals and restricts on the minimum mortgage loan rate to 0.9 times the benchmark rate. The PBOC also increases the public housing fund loan rate (住房公積金貸款利率) by 0.18% and permits commercial banks to decrease the mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where property prices are increasing too rapidly.

On 31 May 2006, the PBOC promulgated the Notice about Relevant Matters on Adjusted Housing Credit Policies (《關於調整住房信貸政策有關事宜的通知》). It provides that, from 1 June 2006, the first installment payment for an individual house bought through a mortgage loan must not be lower than 30% of the purchase price. However, for houses purchased for self-residential purposes and with a GFA of less than 90 sq.m., the regulation regarding 20% first installment payment remains applicable.

On 27 September 2007, the PBOC and CBRC promulgated the Circular on Strengthening the Management of Commercial Real-estate Credit Loans (《關於加強商業性房地產信貸管理的通知》), which increases the down payment requirement applicable to a purchaser acquiring his second residential property to at least 40% and the interests payable on these loans must not be less than 110% of the benchmark interest rate of the same kind and same term by PBOC. Under this Circular, the PRC authority has tightened control over commercial bank loans to property developers in order to prevent such banks from granting excessive credit. This Circular emphasizes that commercial banks must not offer loans to property developers who have been found by the state land and resource and construction authorities as hoarding land and buildings. Commercial banks are also prohibited from accepting commercial properties that have been

vacant for more than three years as guarantees for loans. Under the Complementary 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》), if a member of a family (including the purchaser, his/her spouse and their children under 18) has borrowed loans from banks to buy a house, any member of the family that buys another house will be regarded as a second-time home buyer.

On 29 July 2008, the PBOC and CBRC issued the Notice on Financially Promoting the Economization and Intensive Use of Land (《關於金融促進節約集約用地的通知》), which, among other things,

(i) restricts PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;

(ii) regulates the secured loans for land reserve in various respects, including obtaining land use certificate to secure up to 70% value of security's appraised valuation and limiting the length of maturity in no more than two years;

(iii) prudently grants or extends loans to property developers who (a) delay the commencement of development date specified in the land transfer agreement more than one year, (b) have not finished one-third of the intended project, or (c) have not invested the quarter of the intended total project investment;

(iv) restricts the granting of loans to property developers, the land of which is idle for two years; and

(v) restricts taking idle land as a security for loans.

On 25 May 2009, the State Council issued the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project (《國務院關於調整固定資產投資項目資本金比例的通知》). It provides that the minimum capital requirement for affordable housing and ordinary commodity apartments shall be 20%, and the minimum capital requirement for other real estate development projects shall be 30%. These regulations apply to both domestic and foreign investment projects.

On 19 June 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (《關於進一步加強按揭貸款風險管理的通知》), which requires all financial institutions to tighten pre-loan inspections and standards for granting mortgage loans and strengthen the risk control of mortgage loans, adhere to the policy of meeting the needs of first-time home buyers and strictly comply with the policy on mortgage loans for second residential properties.

On 7 January 2010, 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的通知》). It provides, among other things, that: (i) for 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%, and the loan rates should be strictly commensurate with the credit risks; and (ii) banks are restricted from offering loans to a property development project or property developer which is not in compliance with credit loan regulations or policies.

On 17 April 2010, the State Council also issued the Notice on Strict Control of the Escalation of Property Prices in Certain Cities (《關於堅決遏制部分城市房價過快上漲的通知》), which further increases the minimum down payment in respect of mortgage loans on purchase of second residential properties by individuals to 50% of the purchase price, and provides that the applicable mortgage rate must be at least 1.1 times of that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC. The minimum down payment in respect of mortgage loans on purchase of a third or a further residential property by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the down payment for first self-used residential properties with a GFA of more than 90 sq.m. must be at least 30% of the purchase price. In addition, in areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend the granting of mortgage loans to buyers purchasing a third or a further residential property or to non-local residents who fail to provide certificates evidencing their payment for over one year of local tax or social insurance.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which (i) raises the minimum down payment to 30% for all first home purchases with mortgage loans; (ii) requires commercial banks in China to suspend mortgage loans to (a) customers for their third or more residential property purchase, and (b) to non-local residents who cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) restricts the granting of new project bank loans or extension of credit facilities for all property companies with non-compliance records regarding, among other things, holding idle land, changing the land use to that outside the scope of the designated purpose, postponing construction commencement or completion, or hoarding properties.

On 2 November 2010, the Ministry of Construction (now known as MOHURD), the Ministry of Finance, the PBOC and the CBRC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Housing Provident Fund for Individual Housing Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》), which provides that, among other things:

(i) where a first-time home buyer (including the borrower, the borrower's spouse and minors) uses housing provident fund for individual housing loans to buy an ordinary residential property for self-use, the minimum down payment shall be at least (a) 20%, if the GFA of the property is equal to or less than 90 sq.m. or (b) 30%, if the GFA of property is more than 90 sq.m.;

(ii) for a second-time home buyer that uses housing provident fund for individual housing loans, the minimum down payment shall be at least 50% and the minimum lending interest rate shall be 110% of the lending interest rate of a first-time home buyer of the same corresponding period;

(iii) the second housing provident fund for individual housing loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and

(iv) housing provident fund for individual housing loans to families for their third or further residential property will be suspended.

Pursuant to the Notice on Further Standardization of the Administration of Housing Purchase by Offshore Institutions and Individuals (《關於進一步規範境外機構和個人購房管理的通知》) promulgated by the Ministry of Construction (now known as MOHURD) and SAFE on 4 November 2010, an offshore individual is only permitted to purchase a house for self-use in the PRC and an offshore institution which has branches or representative offices in the PRC is only permitted to purchase non-residential houses for office use in the cities where they are registered.

On 26 January 2011, the State Council issued the Notice on Further Adjustment and Control of Real Estate 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 this notice, second residential property purchasers are required to pay a down payment of no less than 60% of the purchase price for the second residential properties and the applicable mortgage rate must be at least 1.1 times that of the corresponding benchmark interest rate. Local branches of the PBOC may raise the down payment ratio and interest rate on loans for second residential properties based on the price control target set by the local government for newly constructed residential properties and policy requirements, as well as national unified credit policies.

On 8 March 2011, the CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management (《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》), pursuant to which:

(i) after concluding an irrevocable written contract with a borrower, if the contract has come into effect, the financial institution must grant the individual housing loan as agreed to in the contract;

(ii) in principle, if a financial institution has accepted and approved a borrower's loan application and the borrower has unilaterally signed the individual housing loan contract in the interview process, the financial institution shall continue to sign the contract and follow the contractual stipulations after confirming that the contract has no legal flaw, the income is sufficient to cover the risk and it meets the conditions for loans; and

(iii) with respect to families that purchase second residential properties through loans, the down payment shall not be less than 60%, and the loan interest rate shall not be less than 1.1 times of the benchmark rate.

REAL ESTATE INSURANCE

There are no mandatory provisions in the PRC laws, regulations or government rules which require a real estate developer to take out insurance policies for its real estate development projects. 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. Pursuant to the PRC Construction Law 《中華人民共和國建築法》, effective as of 1 March 1998 and amended in April 2011, construction companies must pay for the insurance premium at their own costs and take out insurance to cover accidental injury risks in favor of the staff who conducts dangerous operations. In the Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work 《建設部關於加強建築意外傷害保險工作的指導意見》issued on 23 May 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

MAJOR TAXES APPLICABLE TO REAL ESTATE DEVELOPERS

Enterprise income tax

Under the EIT Law, domestic enterprises and foreign owned enterprises are subject to the same enterprise income tax rate of 25%.

Under the EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the EIT Law and the EIT Rules, in addition to enterprises established within the PRC, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. According to the EIT Rules, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise. It is not clear whether we would be deemed as "resident enterprises" or not. Further, dividends from PRC subsidiaries to their shareholders, which are treated as resident enterprises, are exempted from withholding tax. However, if we are deemed as "non-resident enterprise", we may not be eligible for such tax preference because of its ambiguity.

Under the EIT Law and EIT Rules, PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business to the extent such dividends have their sources within the PRC, unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides

which reduces or exempts the relevant tax. Similarly, any gain realized on the transfer of shares by such investors is subject to a 10% PRC income tax if we are treated as a PRC "resident enterprise" such gain is regarded as income derived from sources within the PRC.

Pursuant to the Arrangement between the PRC and Hong Kong 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》) (the "**Mainland and Hong Kong Taxation Arrangement**") signed on 21 August 2006 and entered into force on 8 December 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5%, if the foreign investor owns directly at least 25% interest in the foreign-invested enterprise.

On 24 August 2009, the SAT released the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) (《關於印發非居民享受税收協定待遇管理辦法(試行)的通知》), which took effect on 1 October 2009. Under the measures, any Hong Kong company of the Enlarged Group needs to obtain approval from the competent branch of the SAT in order to enjoy a preferential withholding tax rate of 5% in accordance with the Mainland and Hong Kong Taxation Arrangement. In addition, the SAT promulgated the Notice of the State Administration of Taxation on How to Understand and Determine "Beneficial Owner" in Tax Treaties (《國家税務總局關於如何理解和認定税收協定中〈受益所有人〉的通知》), or Circular 601, on 27 October 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without substantial business activities, 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 Notice of the State Administration of Taxation on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (《關於房地產開發企業所得税預繳問題的通知》) promulgated by the SAT in April 2008, effective on 1 January 2008 and amends on 4 January 2011, where a real estate development enterprise prepays the enterprise income tax by a quarter, or a month, according to the current actual profit, for the incomes generated from the advance sale prior to the completion of such development projects as dwelling houses, commodity houses and other buildings, fixtures or supporting establishments which are developed and built by the real estate development enterprise, the tax prepayment thereof shall be estimated profit and shall be adjusted according to the actual profit after the development projects are completed and the tax costs are settled.

The Notice on the Measure Dealing with Income Tax of Enterprise Engaged in Real Estate Development (《房地產開發經營業務企業所得税處理辦法》) promulgated by the SAT in March 2009 and retroactively effective in January 2008 specifically stipulates the rules regarding tax treatment of income, cost deduction, verification of tax cost and certain items with respect to real property development enterprise according to the EIT Law and the EIT Rules.

According to the Notice on the Confirmation of Completion Conditions for Development of Products by Property Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》) promulgated by the SAT in May 2010, a property will be deemed completed where its delivery procedure, including move-in procedures, has commenced or when the property is in fact put into use. Property developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Business tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業税暫行條例》) of 2004 and as amended by the State Council on 10 November 2008 and effective as of 1 January 2009 and the Detailed Implementation Rules on the Provisional Regulations of the PRC 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 25 December 1993 and as amended on 15 December 2008 and effective as of 1 January 2009, and further revised on 28 October 2011, the tax rate on transfers of immovable properties, their superstructures and attachments is 5%.

On 27 January 2011, the Ministry of Finance and the SAT issued the Notice on Adjusting the Business Tax Policy on Transfers of Residential Properties by Individuals (《關於調整個人住房轉讓營業税政策的通知》) to discourage speculative activities in the secondary property market and control soaring housing prices. For example, effective from 28 January 2011:

(i) transfers of residential properties by individuals who have held them for less than five years are subject to a business tax calculated on a gross basis;

(ii) transfers of non-ordinary residential properties by individuals who have held them for five years or more are subject to a business tax calculated on a net basis; and

(iii) transfers of ordinary residential properties by individuals who have held them for five years or more are exempted from the business tax.

Land appreciation tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994, together with its implementing rules which were promulgated by the Ministry of Finance on 27 January 1995, the land appreciation tax (the "**LAT**") applies to both domestic and foreign investors in real estate in China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain "deductible items" that include:

(i) payment made to acquire land use rights;

(ii) costs and charges incurred in connection with land development;

(iii) construction costs and charges in the case of newly constructed buildings and facilities;

(iv) assessed value in the case of old buildings and facilities;

(v) taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and

(vi) other items allowed by the Ministry of Finance.

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 laws.

On 28 December 2006, the SAT promulgated 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 became effective on 1 February 2007. According to the notice, the LAT assessment amount shall be derived from the entire value of the real estate development project if the project was approved by the relevant authority as a unit. For a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project.

A taxpayer should pay the LAT if one of the following circumstances occurs:

(i) a construction project has been completed and its commodity houses have been sold;

(ii) an uncompleted real estate development project is transferred as a whole; or

(iii) a direct transfer of a land use right.

The tax authority may require the taxpayer to pay the LAT in one of the following circumstances:

(i) in the case of a real estate development project that has gone through completion acceptance the GFA of the real estate sold is in excess of 85% of the saleable GFA of the entire project or, if the proportion is less than 85%, the residual saleable GFA has been leased out or is held for self-use;

(ii) the sale or pre-sale permit has been held for three years, but not all of the commodity houses of the project have been sold;

(iii) the taxpayer applies for deregistration of tax registration but has yet to carry out the procedures for the LAT settlement; or

(iv) other circumstances provided by tax authorities at the provincial level.

On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值税清算管理規程》), which became effective on 1 June 2009, with the aim of strengthening the imposition of the LAT by specifically regulating the acceptance, review of LAT settlement and tax imposition procedures.

On 19 May 2010, the SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值税清算有關問題的通知》), which provides further clarifications and guidelines on LAT settlement, income recognition, deductible expenses, timing of assessment and other related issues.

On 25 May 2010, the SAT promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (《關於加強土地增值税徵管工作的通知》) to impose further requirements on the collection of LAT. The notice provides that:

(i) to give full play to the adjusting role of the LAT at the pre-payment stage, tax authorities at all places shall adjust the present pre-payment rates. Except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in Eastern China, no less than 1.5% for properties in Central and Northeastern China and no less than 1% for properties in Western China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality; and

(ii) in order to regulate the assessment work, the assessment-based levy rate shall not be lower than 5%, as is the general rule. All provincial tax authorities shall, according to the local actualities, formulate assessment-based levy rates for different types of real property.

Deed tax

Under the PRC Provisional Regulations on Deed Tax (《中華人民共和國契税暫行條例》) promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, a deed tax is chargeable to transferees of land use rights and/or property ownership within the territory of China. The deed tax rate is between 3% and 5% subject to determination by local governments at the provincial level in light of local conditions.

On 29 September 2010, the Ministry of Finance, the SAT and the Ministry of Construction (now known as MOHURD) collectively issued the Notice on Adjustment in Preferential Policy on Deed Tax and Personal Income Tax arising from Real Estate Transactions (《關於調整房地產交易環節契税、個人所得税優惠政策的通知》). According to this notice:

(i) where an individual purchases an ordinary house which would be the only house of the family (including the purchaser, and the spouse and the juvenile thereof), the applicable deed tax shall be deducted by 50%; where individual purchases ordinary house of 90 sq.m. or below which would be the only house of the family, the applicable deed tax shall be 1%;

(ii) the abovementioned preferential policy does not apply where the ordinary house purchased by the individual does not meet the above requirements; and

(iii) no deduction of personal income tax shall apply again where the tax payer sells his/her own house and then purchases another house within one year.

Urban land use tax

Pursuant to the Provisional Regulations of the PRC on Urban Land Use Tax (《中華人民共和國城鎮土地使用税暫行條例》) promulgated by the State Council in September 1988, urban land use tax is levied according to the area of the urban land plot, and the annual tax rate on urban land was set at between RMB0.2 and RMB10 per sq.m. On 31 December 2006, the Provisional Regulations of the PRC on Urban Land Use Tax were amended by the State Council. Since 1 January 2007, on the basis of the amended regulations, the urban land use tax has been charged at a rate three times higher (i.e. between RMB0.6 and RMB30 per sq.m.) than the previous rate and foreign-invested enterprises are no longer exempted.

Building tax

Under the Provisional Regulations of the PRC on Building Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986 and amended on 8 January 2011, building tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a property and 12% if it is calculated on the basis of the rental income of the property. The following categories of buildings are exempted from the building tax:

(i) buildings owned by governmental agencies, people's organizations and the armed forces for their own use;

(ii) buildings of institutions funded by state finance departments, for an institution's own use;

(iii) religious temples, shrines' parks and places of historic and scenic beauty;

(iv) buildings owned by individuals for non-business use; and

(v) other buildings allowed by the Ministry of Finance.

According to the Notice on Issues Relating to Assessment of Buildings Tax against FIEs and Foreign Individuals (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) promulgated by the Ministry of Finance and the SAT in January 2009, the building tax on FIEs, foreign enterprises and foreign individuals is the same as domestic enterprises.

Stamp duty

Under the Interim Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988 and amended on 8 January 2011, stamp duty shall be levied at the rate of 0.05% of the amounts stated therein for all building transfer instruments, including those relating to property ownership transfers. Stamp duty shall be levied on a per-item basis at an annual rate of RMB5.0 per item for permits and certificates relating to rights, including real estate title certificates and land use rights certificates.

Municipal maintenance tax

Under the Interim Regulations of the PRC on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in February 1985 and amended on 8 January 2011, any taxpayer, whether an individual or otherwise, subject to or paying product tax, value-added tax or business tax, shall be required to pay municipal maintenance 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.

Education surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011, any taxpayer, whether an individual or otherwise, subject to or paying product tax, value-added tax or business tax, shall pay an education surcharge, unless such obliged taxpayer is required instead to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》), which was promulgated on 13 December 1984. Education surcharge was calculated and levied at a rate of 2% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer before 1 October 2005. After 1 October 2005, education surcharge shall be calculated and levied at a rate of 3% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer.

On 18 October 2010, the State Council promulgated the Notice on the Unification of Systems of Municipal Maintenance Tax and Educational Surcharge Imposed Upon Domestic-Invested Enterprise, FIE and Individual (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), pursuant to which, from 1 December 2010 onwards, the systems of municipal maintenance tax and educational surcharge imposed upon domestic-invested enterprises, FIEs and individuals shall be unified. Municipal maintenance tax and educational surcharge shall be imposed upon FIEs, foreign enterprises and foreign individuals.

MEASURES ON ADJUSTING THE HOUSING SUPPLY STRUCTURES AND STABILIZING PROPERTY PRICES

In March 2005, the State Council promulgated the Circular on Effectively Stabilizing Housing Prices (《國務院辦公廳關於切實穩定住房價格的通知》), which aims at restraining housing prices from increasing too rapidly and promoting stable developments of the real estate market. On 9 May 2005, the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing Property Prices (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》), which was followed by a series of corresponding measures to tackle the overheating of the PRC property market, including:

(i) where housing prices grow too rapidly at a time, or the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, construction projects should mainly involve the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled;

(ii) where the price of land for residential use and the price of residential housing grow too rapidly, land supply for residential use as a proportion of 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 increased. Land supply for villa construction should continue to be suspended, and land supply for high-end residential property construction should be strictly restricted;

(iii) idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be revoked without compensation;

(iv) commencing from 1 June 2005, a business tax upon the transfer of a residential property by an individual within two years from his/her purchase will be levied on the gain from such transfer. If an individual transfers his/her ordinary residential property more than two years after its purchase, the business tax will be exempted. For an individual who transfers a property other than an ordinary residential house more than two years after from the purchase, the business tax will be levied on the difference between the price of such transfer and the original purchase price;

(v) ordinary residential houses with medium or small GFA and at medium or low prices may be granted certain preferential treatments in relation to planning permits, land supply, credit and taxation. Properties enjoying these preferential policies must satisfy the following conditions in principle: (a) the plot ratio of the residential development is above 1.0, (b) the GFA of one single unit is less than 120 sq.m., and (c) the actual transfer price is lower than 120% of the average transfer price of comparable properties at comparable locations. Local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential properties that can enjoy the preferential policies; and

(vi) 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 presale contract of commodity property must also be filed with the relevant government agencies electronically immediately after its execution.

On 24 May 2006, the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》) (the "**Circular No. 37**"), which was jointly prepared by nine ministerial departments, including the Ministry of Construction (now known as MOHURD), the NDRC, the MLR and the SAT. Circular No. 37 aims at guiding and promoting sustainable and healthy development of the real estate industry through adjusting housing supply structure and curbing soaring housing prices. Circular No. 37 stipulates, among other things:

(i) the requirement 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-sized units or low-cost rental properties;

(ii) the requirement that at least 70% of the total GFA of residential units newly approved or constructed annually in each city or county town on or after 1 June 2006 must consist of units with a GFA of less than 90 sq.m. per unit. However, municipalities under direct administration of the PRC government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction (now known as MOHURD);

(iii) the increase of the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property except those who purchase residential property with GFA of 90 sq.m. or below for own use or more, as effective from 1 June 2006;

(iv) the prohibition of 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%, the restriction of the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and the prohibition of commercial banks from taking commodity properties which have been vacant for more than three years as security for loans; and

(v) the imposition of a business tax levy on the entire sales proceeds from the re-sale of ordinary residential properties if the holding period is shorter than five years, effective from 1 June 2006, as opposed to two years when such levy was initially implemented from June 2005. Where an individual transfers a property other than an ordinary residential property more than five years after his/her purchase, the business tax will be levied on the difference between the resale price and the original purchase price.

On 6 July 2006, the Ministry of Construction (now known as MOHURD) promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (《關於落實新建住房結構比例要求的若干意見》), which stipulates that residential units with a GFA of less than 90 sq.m. shall account for over 70% of the total annual area of residential units which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government will have the authority to determine the configuration of newly constructed properties.

On 20 December 2008, the State Council issued Certain Opinions 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》) to encourage development of the real estate market by providing support in respect of taxes and credits. In order to promote ordinary residential property purchases, the following incentives had been enacted and effective until 31 December 2009:

(i) application of the same preferential policy previously granted to first-time home buyers to second-time home buyers whose per capita GFA of the first property was below the local average level;

(ii) provision of one-year business tax exemption for residential property transfer. Individuals who transferred their ordinary residential properties held for two years or more (instead of the previous five-year requirement) were exempted from business tax. In addition, if the residential property had been held for less than two years when it was transferred, the business tax due was calculated on a net rather than a gross basis; and

(iii) individuals who transferred their non-residential property (非普通住房) held for two years or more (instead of the previous five-year requirement) must still pay business tax on the property on a net basis, but if the property had been held for less than two years when it was transferred, the business tax was calculated on a gross basis.

The following measures, among other things, were also adopted:

(i) commercial banks shall, in accordance with the credit policies and regulation requirements, strengthen the credit support for low- to medium-priced and small- to medium-sized ordinary commodity properties, especially for projects under development; and provide the financial assistance and relevant financial services to reputable and capable real estate enterprises engaging in mergers and acquisitions transactions; and

(ii) the urban real estate tax was abolished and the Provisional Regulations of the PRC Governing the Real Estate Tax (《中華人民共和國房產稅暫行條例》) applied to domestic- and foreign-invested enterprises as well as individuals.

On 7 January 2010, the State Council issued the Circular 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》) to further regulate the real estate market. This Circular provides 11 measures addressing the following objectives:

(i) increasing the effective supply of social welfare housing and ordinary commodity residential properties;

(ii) directing consumers to make reasonable purchases of residential properties and discouraging investment and speculation in the housing market;

(iii) strengthening credit risk management for real estate projects and market supervision;

(iv) speeding up the construction of social welfare housing projects; and

(v) setting or clarifying the responsibilities of provincial and local governments.

On 17 April 2010, the State Council also issued the Notice on Strict Control of the Escalation of Property Prices in Certain Cities (《關於堅決遏制部分城市房價過快上漲的通知》), which further increases the minimum down payment in respect of mortgage loans on purchases of a second residential properties by individuals to 50% of the purchase price and provides that the applicable interest rate must be at least 1.1 times to that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC. The minimum down payment in respect of mortgage loans on purchases of a third or a further residential property by individuals shall be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the down payment for first self-used residential properties with a GFA of more than 90 sq.m. must be at least 30% of the purchase price. In addition, in areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend the granting of mortgage loans to buyers purchasing a third or a further residential property or to those non-local residents who fail to provide certificates evidencing their payment for over one year of local tax or social insurance.

On 29 September 2010, the Ministry of Finance, the Ministry of Construction and the SAT 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, with effect from 1 October 2010, the deed tax rate is reduced to 1% for a first time individual buyer who purchases an ordinary residential property with a GFA less than 90 sq.m. as the family's sole property.

On 4 November 2010, the Ministry of Construction (now known as MOHURD) and the SAFE collectively promulgated the Notice on Further Regulating the Administration on House Purchase by Overseas Organization and Individual (《關於進一步規範境外機構和個人購房管理的通知》), which stipulates that, except as otherwise stated in laws and regulations, an overseas individual shall solely purchase one unit of owner-occupied residential house, and an overseas organization with a branch or representative office set up in the PRC shall solely purchase non-residential house necessary for business operations in the city where it is registered.

On 26 January 2011, the State Council further issued the Notice of the State Council on Issues relating to Further Well Managing the Central Control of the Real Estate 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:

(i) individuals who resell a residential property within five years of purchase would be subject to a business tax on the proceeds from the resale;

(ii) if a property developer fails to obtain the relevant construction permits and fails to commence construction within two years from the designation of land for property development, the relevant land use rights granted would be forfeited and an idle land penalty would be imposed;

(iii) transfer of land and property development projects is prohibited if the amount of property development investment (excluding the land premium) incurred is less than 25% of the total investment amount in respect of the project; and

(iv) in the cities where the real estate market price is under rapid growth, families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a local tax payment certificate or a social security certificate are prohibited from purchasing additional residential properties in the local district.

On 27 January 2011, the Ministry of Finance and the SAT issued the Notice on Adjusting the Business Tax Policy on Transfers of Residential Properties by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) to discourage speculative activities in the secondary property market and control soaring housing prices. For example, effective from 28 January 2011:

(i) transfers of residential properties by individuals who have held them for less than five years are subject to a business tax calculated on a gross basis;

(ii) transfers of non-ordinary residential properties by individuals who have held them for five years or more are subject to a business tax calculated on a net basis; and

(iii) transfers of ordinary residential properties by individuals who have held them for five years or more are exempted from the business tax.

On 26 February 2013, the State Council issued the Notice of the State Council on Continuity to Well Manage the Central Control Work 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》), which stipulates the following:

(i) improving the mechanism of work responsibility of stability of the real estate price, measures including requiring the relevant departments under the State Council to strengthen the supervision and inspection of the stability of prices. The provincial people's government shall conduct interviews if local governments in its jurisdiction fail to implement housing purchase restrictions;

(ii) sticking to suppress speculative and investment-oriented purchasers, measures including continuing to implement and improve the purchase restriction measures; using the effect of tax to adjust the real estate price, the tax bureau and housing construction departments shall closely coordinate and shall levy individual income tax at a tax rate of 20% according to the regulations;

(iii) increasing the supply of ordinary commercial housing and land for residential properties, measures including that the total land supply for residential land in 2013 in principle shall be no less than the average land supply in the past five years;

(iv) accelerating the planning and construction of affordable housing project, fully implementing the task of building 4.7 million units, constructing 6.3 million new sets of affordable housing projects in 2013;

(v) improving the market supervision and anticipation management; strengthening the administration on the credibility of real estate development enterprises; studying the establishment of shared credit management system among housing and urban construction, development and reform, land and natural resources, finance, taxation, industry and commerce, statistics and other departmental; timely recording and releasing the illegal behavior of the real estate enterprises. For enterprises setting up extraordinarily high prices for the pre-sale commodity properties and accepting no price guidance from the relevant urban housing construction authorities, or having not established pre-sale proceeds supervision mechanism for commodity properties projects, pre-sale permit shall not be issued. If real estate enterprises has idle land or conduct activities such as land speculation, keeping the properties off the market, driving up prices and other illegal acts, the relevant departments shall establish a linkage mechanism and intensify the relevant punishments. The land and resources department shall prohibit the enterprise from participating in land bidding, the financial institutions shall not grant new loans for development projects, the securities regulatory authorities shall suspend the approval of its listing, refinancing or significant asset restructuring and the banking supervision departments shall prohibit the enterprises from financing through trust scheme.

FOREIGN EXCHANGE CONTROL

On 29 January 1996, the State Council promulgated the PRC Regulations on the Control of Foreign Exchange (《中華人民共和國外匯管理條例》), which became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. This regulation classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval, but the conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require prior approval from SAFE or its local counterparts. Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad.

On 5 August 2008, the State Council further amended the PRC Regulations on the Control of Foreign Exchange. Several provisions have been revised, including:

(i) removing the compulsory requirement to repatriate foreign currency payments received from abroad by permitting the foreign currency payments to be repatriated back or deposited abroad in accordance with the required conditions and periods;

(ii) removing the compulsory requirement to convert the foreign currency proceeds in the current account into RMB by permitting those proceeds in the current account to be reserved or sold to financial institutions in accordance with the rules;

(iii) allowing domestic institutions and individuals to invest abroad directly or indirectly, subject to the foreign exchange registration and approval or filing as provided by other laws and regulations; and

(iv) adopting the market-determined and managed floating RMB exchange rates system.

On 20 June 1996, the PBOC promulgated the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which became effective on 1 July 1996. These regulations supersede the relevant provisional regulations and repeal the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. FIEs may retain foreign exchange in current accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterparts.

On 11 July 2006, the Ministry of Construction (now known as MOHURD), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the 171 Opinion. The 171 Opinion provides that: (i) foreign organizations and individuals who have established FIEs are allowed to invest and purchase non-self-resided real estate in China; branches or representative offices of foreign organizations established in China and foreign individuals who work or study in China for over a year are eligible to purchase commodity properties which match their real needs for self-use or self-residence under their real names; (ii) the registered capital of foreign-invested real estate corporations with total investments of more than US$10 million shall be no less than 50% of its total investment; (iii) foreign-invested real estate enterprises can apply for the formal FIE approval certificate and business licence only after they have paid back all the land premium and obtained the State-owned land use rights certificate; (iv) foreign investors shall pay off all the transfer price in a lump sum with their own funds if they acquire Chinese domestic real estate corporations; (v) 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 enterprises have not paid their registered capital in full, or have not obtained the State-owned land use rights certificate, or the capital fund is less than 35% of the total investment amount in the intended development project; and (vi) by no means can Chinese or foreign investors make any commitment in any documents to guarantee a fixed return or fixed revenue in disguised form for any party in the contract.

On 23 May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Administration regarding Foreign Direct Investment in the Real Estate Industry (《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》) (the "**No. 50 Notice**"). Under the No. 50 Notice, (i) local commercial authorities should reinforce the approval and supervision process over foreign invested real estate enterprises, and strictly control foreign fund from investing in high-end real estate development projects. (ii) For foreign-invested company intending to engage in the property development business, the land use rights 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 proposed FIREE will not be approved by the authorities. For existing foreign-invested company who intends to expand its operations in its business operation or company who intends to engage in the operation or development of the new real estate project, they should undertake relevant procedures with the approval authority. (iii) No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of return investment (including the same effective controller). It also prohibits Chinese or foreign investors in real estate joint ventures to reach any terms that aim to achieve a fixed return for either party. (iv) Once the local authority has approved the establishment of a FIREE, it should file such approval with the MOFCOM in a timely manner. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for FIREE who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign invested enterprises.

On 29 August 2008, the SAFE issued the Notice on Relevant Business Operations Issues on the Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《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 aims at strengthening the administration of payment and settlement of foreign exchange capital of foreign-invested enterprises. The Notice 142 requires that:

(i) the capital verification of a FIE shall be conducted by accountants before the FIE applies for the payment and settlement of foreign currency capital;

(ii) the RMB proceeds converted from the FIE's foreign currency capital shall be used within the approved business scope and unless otherwise regulated, such proceeds shall not be invested in the domestic equity interests. Other than FIREEs, FIEs shall not use the RMB proceeds converted from its foreign exchange capital to purchase domestic properties for non-self use; and

(iii) the RMB proceeds converted from FIEs' foreign currency capital shall not be used to repay the unused RMB loans.

On 10 May 2013, SAFE issued the Notice on Printing the Regulations on Administration of Foreign Exchange Concerning Onshore Direct Investment by Foreign Investors (《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》) (the "**No. 21 Notice**"), which became effective on 13 May 2013. This notice further simplifies and clarifies the foreign exchange administration with respect to onshore foreign direct investment and abolishes 24 previous regulations in relation to foreign exchange administration on foreign direct investment. The Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and Operational Guidelines on Administrative for Foreign Debt Registration (《外債登記管理操作指引》) promulgated by SAFE on 28 April 2013 and becoming effective on 13 May 2013, stipulate, among other things, (i) that SAFE will not process foreign debt signing registrations for FIREEs who obtained authorization certificates from and registered with MOFCOM on or after 1 June 2007; (ii) only FIREEs established before 1 June 2007 could borrow foreign debt within the balance of its total investment amount and the registered capital; and (iii) if FIREEs established have not paid off all of the registered capital, or have not obtained the State-owned Land Use Right Certificate, or the capital of the project is less than 35% of the total investment amount, such companies could not borrow foreign debt.

On 4 July 2014, the SAFE issued the Notice on Issues Relating to Pilot Scheme of Reform of Administration of Foreign Currency Capital Settlement by Foreign Investment Enterprises in Certain Areas (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》)(the "Notice 36"), which became effective on 4 August 2014. The notice decides to launch pilot scheme of reform of administration of foreign currency capital settlement by foreign investment enterprises in 16 areas in China. The Notice 36 clarifies on relevant issues as follows:

i. Voluntary exchange settlement of foreign currency capital by foreign investment enterprises is permitted in the pilot scheme region, which means that exchange settlement for the foreign currency capital funds in a foreign investment enterprise's capital funds account, for which capital contribution interests have been confirmed by the local foreign exchange bureau, may be processed by a bank in accordance with the enterprise's actual business needs. The percentage of voluntary exchange settlement of foreign currency capital by foreign investment enterprises registered and established within the pilot areas shall be 100% for the time being.

ii. The relevant requirements of the Notice of General Division of State Administration of Foreign Exchange on Issues Relating to Improving the Relevant Business Operations of Administration of Foreign Exchange Settlement for Payment of Foreign Currency Capital Funds of Foreign Investment Enterprises (Hui Zong Fa [2008] 142)(《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》)and Supplementary Notice of General Division of State Administration of Foreign Exchange on Issues Relating to Improving the Relevant Business Operations of Administration of Foreign Exchange Settlement for Payment of Foreign Currency Capital Funds of Foreign Investment Enterprises (Hui Zong Fa [2011] 88)(《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補充通知》)shall not apply to exchange settlement by foreign investment enterprises in the pilot areas in the interim. Except for the foreign investment enterprises whose main business is investment (including foreign-funded investment companies, foreign investment venture capital enterprises, and foreign-fund equity investment enterprises), equity investments in China by general foreign investment enterprises via transfer of capital funds in original currency shall be handled pursuant to the prevailing provisions on domestic reinvestments in China. For equity investments in China using exchange settlement funds, the investee enterprise shall complete registration formalities for reinvestment in China with the local foreign exchange bureau and open the corresponding exchange settlement pending payment account, and then the investing enterprise shall transfer the Renminbi-denominated proceeds from exchange settlement in accordance with the actual investment scale to the exchange settlement pending payment account opened by the investee enterprise. Where the investee enterprise continues to make equity investments in China, it shall comply with the aforesaid principle.

Tax Reporting Obligations for Certain indirect transfers of PRC Equity Interests

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued a SAT Circular 59 in April 2009, and the SAT issued a SAT Circular 698 in December 2009. Both SAT Circular 59 and Circular 698 became effective retroactively on 1 January 2008.

According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得稅管理的通知》) ("**SAT Circular 698**"), where a non-resident enterprise transfers the equity interests of a PRC "resident enterprise" indirectly by disposition of the equity interests of an overseas holding company, or an indirect transfer, and the overseas holding company is located in a tax jurisdiction that: (1) has an effective tax rate less than 12.5% or (2) does not impose tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report to the relevant tax authority of the PRC "resident enterprise" this indirect transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC "resident enterprise" to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. In addition, the PRC "resident enterprise" is supposed to provide necessary assistance to support the enforcement of SAT Circular 698.

On 28 March 2011, the SAT released SAT Public Notice (2011) No. 24, or SAT Public Notice 24, to clarify several issues related to SAT Circular 698. SAT Public Notice 24 became effective on 1 April 2011. According to SAT Public Notice 24, the term "effective tax" refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term "does not impose income tax" refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the country/region where the overseas holding company is a resident.

There is little guidance and practical experience as to the application of SAT Circular 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an indirect transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax.

By promulgating and implementing these Circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The PRC tax authorities have the discretion under SAT Circular 59 and SAT Circular 698 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment.

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

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

The Directors
Juda International Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Xi'an Capital Xin Kai Real Estate Ltd. (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 (the "Relevant Periods") and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2011, 2012 and 2013 and 30 June 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Group for the six months ended 30 June 2013 (the "Interim Comparative Information"), for inclusion in the circular of Juda International Holdings Limited (the "Company") dated [•] (the "circular") in connection with the Company's proposed acquisition of 100% equity interest of the Target Company (the "Acquisition").

The Target Company was established as a limited liability company on 24 December 2007 in the People's Republic of China (the "PRC" or "Mainland China", which excludes Hong Kong).

As at the date of this report, the Target Company has 100% direct interest in the subsidiary as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the PRC generally accepted accounting principles. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The directors of the Company (the "Directors") are responsible for the Financial Information, the Interim Comparative Information and the contents of the circular in which this report is included.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 and of the consolidated results and cash flows of the Target Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

[Ernst & Young]
Certified Public Accountants
Hong Kong
[•]

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	*6*	1,188,285	95,420	1,211,440	889,058	1,045,287
Cost of sales		(877,849)	(57,588)	(844,832)	(667,824)	(760,021)
Gross profit		310,436	37,832	366,608	221,234	285,266
Other income and gains	*6*	2,028	6,620	2,297	851	1,088
Selling and distribution expenses		(31,972)	(24,688)	(26,460)	(14,716)	(21,883)
Administrative expenses		(4,000)	(4,341)	(5,256)	(1,522)	(2,242)
Other expenses		(1)	(312)	–	–	(670)
Finance costs	*8*	–	–	–	–	–
PROFIT BEFORE TAX	*7*	276,491	15,111	337,189	205,847	261,559
Income tax expense	*10*	(69,123)	(3,781)	(102,711)	(51,462)	(80,544)
PROFIT FOR THE YEAR/PERIOD		207,368	11,330	234,478	154,385	181,015
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		207,368	11,330	234,478	154,385	181,015
Attributable to:						
Owners of the parent	*11*	207,368	11,330	234,478	154,385	181,015
Non-controlling interests		–	–	–	–	–
		207,368	11,330	234,478	154,385	181,015

Details of the dividends payable are disclosed in note 12 to the financial statements.

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	805	520	340	270
Total non-current assets		805	520	340	270
CURRENT ASSETS					
Inventories	*16*	1,204,477	1,846,547	1,731,576	1,307,869
Trade receivables	*17*	–	–	19,990	16,585
Prepayments, deposits and other receivables	*18*	1,256,309	1,188,309	1,605,723	1,666,919
Prepaid taxes	*19*	19,528	73,001	41,995	19,570
Restricted cash	*20*	–	9,753	126,407	54,186
Pledged deposits	*20*	–	–	210,000	10,000
Cash and cash equivalents	*20*	100,684	40,814	134,712	206,368
Total current assets		2,580,998	3,158,424	3,870,403	3,281,497
CURRENT LIABILITIES					
Trade payables	*21*	19,090	101,247	235,176	291,256
Advances from customers		693,021	1,391,609	1,316,559	487,390
Other payables and accruals	*22*	53,024	48,832	145,156	35,517
Dividend payable		31,000	218,555	218,555	590,155
Interest-bearing bank borrowings	*23*	200,000	160,000	24,000	547,500
Taxes payable	*19*	24,645	13,903	36,021	31,158
Total current liabilities		1,020,780	1,934,146	1,975,467	1,982,976
NET CURRENT ASSETS		1,560,218	1,224,278	1,894,936	1,298,521
TOTAL ASSETS LESS CURRENT LIABILITIES		1,561,023	1,224,798	1,895,276	1,298,791

	Notes	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,561,023	1,224,798	1,895,276	1,298,791
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	23	180,000	20,000	456,000	62,500
Total non-current liabilities		180,000	20,000	456,000	62,500
Net assets		1,381,023	1,204,798	1,439,276	1,236,291
EQUITY					
Equity attributable to owners of the parent					
Issued capital	24	1,169,184	1,169,184	1,169,184	1,169,184
Reserves	25	211,839	35,614	270,092	67,107
		1,381,023	1,204,798	1,439,276	1,236,291
Non-controlling interests		–	–	–	–
Total equity		1,381,023	1,204,798	1,439,276	1,236,291

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Issued capital *RMB'000 (note 24)*	**Reserve funds** *RMB'000 (note 25)*	**Retained profits** *RMB'000 (note 25)*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2011	1,169,184	3,547	924	1,173,655	–	1,173,655
Profit for the year	–	–	207,368	207,368	–	207,368
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	207,368	207,368	–	207,368
Transfer from retained profits	–	20,737	(20,737)	–	–	–
At 31 December 2011 and 1 January 2012	1,169,184	24,284*	187,555*	1,381,023	–	1,381,023
Profit for the year	–	–	11,330	11,330	–	11,330
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	11,330	11,330	–	11,330
Transfer from retained profits	–	1,134	(1,134)	–	–	–
Dividends declared *(note 12)*	–	–	(187,555)	(187,555)	–	(187,555)
At 31 December 2012 and 1 January 2013	1,169,184	25,418*	10,196*	1,204,798	–	1,204,798
Profit for the year	–	–	234,478	234,478	–	234,478
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	234,478	234,478	–	234,478
Transfer from retained profits	–	23,447	(23,447)	–	–	–
At 31 December 2013 and 1 January 2014	1,169,184	48,865*	221,227*	1,439,276	–	1,439,276
Profit for the period	–	–	181,015	181,015	–	181,015
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	181,015	181,015	–	181,015
Transfer from retained profits	–	18,110	(18,110)	–	–	–
Dividends declared *(note 12)*	–	–	(384,000)	(384,000)	–	(384,000)
At 30 June 2014	1,169,184	66,975*	132*	1,236,291	–	1,236,291

For the six months ended 30 June 2013 (unaudited)

	Attributable to owners of the parent					
	Issued capital *RMB'000 (note 24)*	**Reserve funds** *RMB'000 (note 25)*	**Retained profits** *RMB'000 (note 25)*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2013	1,169,184	25,418	10,196	1,204,798	–	1,204,798
Profit for the period (unaudited)	–	–	154,385	154,385	–	154,385
Other comprehensive income for the period (unaudited)	–	–	–	–	–	–
Total comprehensive income for the period (unaudited)	–	–	154,385	154,385	–	154,385
At 30 June 2013 (unaudited)	1,169,184	25,418	164,581	1,359,183	–	1,359,183

* *These reserve accounts comprise the consolidated reserves of RMB211,839,000, RMB35,614,000, RMB270,092,000, and RMB67,107,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.*

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		276,491	15,111	337,189	205,847	261,559
Adjustments for:						
Interest income	*6*	(2,008)	(6,365)	(1,275)	(504)	(882)
Depreciation	*14*	269	326	249	155	70
		274,752	9,072	336,163	205,498	260,747
(Increase)/decrease in inventories		234,050	(620,792)	134,550	307,544	449,555
(Increase)/decrease in trade receivables		–	–	(19,990)	–	3,405
(Increase)/decrease in prepayments, deposits and other receivables		(18,367)	(43,242)	13,236	27,642	72,513
(Increase)/decrease in restricted cash		–	(9,753)	(116,654)	(87,835)	72,221
Increase/(decrease) in trade payables		(20,525)	82,157	133,929	111,509	56,080
Increase/(decrease) in advances from customers		(235,057)	698,588	(75,050)	(524,780)	(829,169)
Increase/(decrease) in other payables and accruals		26,244	5,975	96,324	29,247	(109,638)
Cash generated from/(used in) operations		261,097	122,005	502,508	68,825	(24,286)
PRC corporate income tax paid		(19,629)	(54,464)	(24,817)	(16,979)	(56,268)
PRC land appreciation tax paid		(9,920)	(13,531)	(24,770)	(8,794)	(6,715)
Net cash flows from/(used in) operating activities		231,548	54,010	452,921	43,052	(87,269)

	Notes	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net cash flows from/(used in) operating activities		231,548	54,010	452,921	43,052	(87,269)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(423)	(41)	(69)	(68)	–
Interest received		2,008	865	1,275	504	882
(Increase)/decrease in pledged deposits		–	–	(210,000)	(10,000)	200,000
Advances to related parties		(1,927,000)	(2,298,500)	(1,476,000)	(577,000)	(3,856,500)
Repayments from related parties		1,606,832	2,415,242	1,045,350	456,350	3,722,791
Net cash flows from/(used in) investing activities		(318,583)	117,566	(639,444)	(130,214)	67,173
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings		300,000	–	500,000	300,000	150,000
Repayment of bank borrowings		(170,000)	(200,000)	(200,000)	(180,000)	(20,000)
Borrowings from related parties		10,168	–	–	–	–
Repayments to related parties		–	(10,168)	–	–	–
Interest paid		(22,856)	(21,278)	(19,579)	(5,841)	(25,848)
Dividend paid		–	–	–	–	(12,400)
Net cash flows from/(used in) financing activities		117,312	(231,446)	280,421	114,159	91,752
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		30,277	(59,870)	93,898	26,997	71,656
Cash and cash equivalents at beginning of year/period		70,407	100,684	40,814	40,814	134,712
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		100,684	40,814	134,712	67,811	206,368
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position		100,684	40,814	134,712	67,811	206,368

(e) STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	805	520	340	270
Investment in a subsidiary	*15*	–	10,000	10,000	10,000
Total non-current assets		805	10,520	10,340	10,270
CURRENT ASSETS					
Inventories	*16*	1,204,477	1,846,457	1,731,486	1,307,869
Trade receivables	*17*	–	–	19,990	16,585
Prepayments, deposits and other receivables	*18*	1,256,309	1,188,309	1,605,723	1,666,919
Prepaid taxes	*19*	19,528	73,001	41,995	19,570
Restricted cash	*20*	–	9,753	126,407	54,186
Pledged deposits	*20*	–	–	210,000	10,000
Cash and cash equivalents	*20*	100,684	30,915	124,793	196,447
Total current assets		2,580,998	3,148,435	3,860,394	3,271,576
CURRENT LIABILITIES					
Trade payables	*21*	19,090	101,247	235,176	291,256
Advances from customers		693,021	1,391,609	1,316,559	487,390
Other payables and accruals	*22*	53,024	48,832	145,156	35,517
Dividend payable		31,000	218,555	218,555	590,155
Interest-bearing bank borrowings	*23*	200,000	160,000	24,000	547,500
Taxes payable	*19*	24,645	13,903	36,017	31,157
Total current liabilities		1,020,780	1,934,146	1,975,463	1,982,975
NET CURRENT ASSETS		1,560,218	1,214,289	1,884,931	1,288,601
TOTAL ASSETS LESS CURRENT LIABILITIES		1,561,023	1,224,809	1,895,271	1,298,871

	Notes	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,561,023	1,224,809	1,895,271	1,298,871
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	23	180,000	20,000	456,000	62,500
Total non-current liabilities		180,000	20,000	456,000	62,500
Net assets		1,381,023	1,204,809	1,439,271	1,236,371
EQUITY					
Issued capital	24	1,169,184	1,169,184	1,169,184	1,169,184
Reserves	25	211,839	35,625	270,087	67,187
Total equity		1,381,023	1,204,809	1,439,271	1,236,371

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the PRC on 24 December 2007. The registered office of the Target Company is located at No 12, Fengcheng Road, Xi'an.

During the Relevant Periods, the Target Group was involved in property development.

As at the date of this report, the Target Company had 100% direct interest in its subsidiary (the "Subsidiary"), which is a limited liability company incorporated in the PRC. Further details of the Subsidiary are set out in note 15 of this section.

The statutory financial statements of the Target Company for the years ended 31 December 2011, 2012 and 2013 prepared under the Accounting Standards for Business Enterprise were audited by Hua-Ander Certified Public Accountants registered in the PRC.

The statutory financial statements of the Subsidiary for the years ended 31 December 2012 and 2013 prepared under the Accounting Standards for Business Enterprise were audited by Hua-Ander Certified Public Accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting* and amendments to HKFRS 9, HKFRS 7 and HKAS 39[2]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[4]
HKAS 16 and HKFRS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Annual Improvements to HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Annual Improvements to HKFRSs issued in January 2014[1]

1 *Effective for annual periods beginning on or after 1 July 2014*

2 *No mandatory effective date yet determined but is available for adoption*

3 *Effective for annual periods beginning on or after 1 January 2016*

4 *Effective for annual periods beginning on or after 1 January 2017*

While the adoption of some of the new and revised HKFRSs and amendments may result in changes in accounting policies, none of these amendments is expected to have a significant impact on the Target Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information include the financial statements of the Target Company and the Subsidiary for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. The financial statements of the Subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of the Subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target 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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

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

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

or

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

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

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

(iii) the entity and the Target Group 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); and

(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).

Property, plant and equipment and depreciation

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

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

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

Office equipment	30%
Motor vehicles	18%

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

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

Operating leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

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

The Target Group's financial liabilities include trade and other payables, dividend payable, and interest-bearing bank borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property.

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

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of completed properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction of the relevant properties has been completed and the properties have been delivered to the buyer, and the collectability of related receivables is reasonably assured; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Target Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Target Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

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

Dividends

Dividends are recognised as a liability when they have been approved by the directors.

Foreign currencies

The Financial Information is presented in Renminbi, which is the Target Group's functional and presentation currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Allocation of construction cost on properties under development

When developing properties, the Target Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to several phases are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square meter sold multiplies by the average cost per square meter of that particular phase of the project.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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 described below:

PRC corporate income tax

The Target Group is subject to corporate income tax ("CIT") in the PRC. As a result of the fact that certain matters relating to the CIT have not been confirmed by the local tax authorities, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. When the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences are realised. Further details are included in note 10 of this section.

PRC land appreciation tax

The Target Group is subject to land appreciation tax ("LAT") in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the property development projects. The Target Group has not finalised its LAT calculations and payments with the local tax authorities for certain property development projects. The final outcome may be

different from the amounts that were initially recorded, and any differences will have impact on the LAT expense and the related provision in the period in which the differences are realised. Further details are included in note 10 of this section.

5. OPERATING SEGMENT INFORMATION

All the Target Group's operations are located and carried out in Mainland China, and all the revenue and operating results of the Target Group are derived from property development. Accordingly, no segment information by business and geographical segments is presented.

The Target Group's revenue from external customers is derived solely from its operations in Mainland China, and no non-current assets of the Target Group are located outside Mainland China.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties during the Relevant Periods.

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

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Sale of properties	1,188,285	95,420	1,211,440	889,058	1,045,287
Other income					
Bank interest income	2,008	865	1,275	504	882
Other interest income	–	5,500	–	–	–
Gross rental income	–	–	562	338	125
Others	20	255	460	9	81
	2,028	6,620	2,297	851	1,088

7. PROFIT BEFORE TAX

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

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of properties sold		877,849	57,588	844,832	667,824	760,021
Depreciation	*14*	269	326	249	155	70
Minimum lease payments under operating leases:						
Buildings		–	140	168	84	84
Auditors' remuneration		20	49	45	–	60
Employee benefit expense (including director's and chief executive's remuneration and amount capitalised)						
Wages, salaries and staff welfare		13,395	16,058	21,402	6,972	5,940
Pension scheme contributions		853	967	1,113	429	454
		14,248	17,025	22,515	7,401	6,394
Bank interest income		(2,008)	(865)	(1,275)	(504)	(882)
Other interest income		–	(5,500)	–	–	–

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans wholly repayable within five years	22,856	21,278	19,579	5,841	25,848
Less: Interest capitalised	(22,856)	(21,278)	(19,579)	(5,841)	(25,848)
	–	–	–	–	–

9. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

The director's remuneration borne by the Target Group for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	720	717	713	357	–
Performance related bonuses	663	459	288	–	–
Pension scheme contributions	30	33	37	18	–
	1,413	1,209	1,038	375	–

The remuneration of the remaining directors was borne by the shareholders of the Target Company during the Relevant Periods. In the opinion of the directors of the Target Company, there is no reasonable basis to allocate their remuneration to the Target Group.

The five highest paid employees, including the director during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	1,338	1,416	1,514	838	846
Performance related bonuses	1,026	864	528	–	–
Pension scheme contributions	120	132	148	90	95
	2,484	2,412	2,190	928	941

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

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
Nil to HK$1,000,000	4	4	4	4	5

10. INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current:					
PRC corporate income tax	69,123	3,781	78,159	51,462	60,368
PRC land appreciation tax	–	–	24,552	–	20,176
Total tax charge for the year/period	69,123	3,781	102,711	51,462	80,544

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

PRC corporate income tax

The Target Company and its subsidiary were subject to the statutory corporate income tax rate of 25% for the Relevant Periods under the income tax rules and regulations of the PRC.

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT（中華人民共和國土地增值税暫行條例）effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT（中華人民共和國土地增值税暫行條例實施細則）effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties（普通標準住宅）if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax authorities require the prepayment of LAT on the pre-sales and sales proceeds of properties development. According to the relevant tax notices issued by the local tax authorities, the Target Group is required to pay LAT in advance at 1%-3% on the pre-sales and sales proceeds of the Target Group's properties.

The Target Group has estimated, made and included in taxation a 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.

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Target Company and its subsidiary are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Profit before tax	276,491		15,111		337,189		205,847		261,559	
CIT at the statutory tax rate	69,123	25.0	3,778	25.0	84,297	25.0	51,462	25.0	65,390	25.0
Expenses not deductible for CIT	–	–	3	–	–	–	–	–	22	–
LAT	–	–	–	–	24,552	7.3	–	–	20,176	7.7
CIT effect of LAT	–	–	–	–	(6,138)	(1.8)	–	–	(5,044)	(1.9)
Tax charge at the Target Group's effective rate	69,123	25.0	3,781	25.0	102,711	30.5	51,462	25.0	80,544	30.8

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 include a profit of RMB207,368,000, RMB11,341,000 and RMB234,462,000 and RMB181,100,000, respectively, which has been dealt with in the financial statements of the Target Company.

12. DIVIDENDS

Dividends of RMB187,555,000 and RMB384,000,000 were declared to shareholders of the Target Company in accordance with the resolution of board of directors in 2012 and 2014, respectively.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 1 January 2011, net of accumulated depreciation	150	501	651
Additions	423	–	423
Depreciation provided during the year	(107)	(162)	(269)
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	466	339	805
Additions	41	–	41
Depreciation provided during the year	(164)	(162)	(326)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	343	177	520
Additions	69	–	69
Depreciation provided during the year	(162)	(87)	(249)
At 31 December 2013, net of accumulated depreciation	250	90	340
Depreciation provided during the period	(70)	–	(70)
At 30 June 2014, net of accumulated depreciation,	180	90	270
At 31 December 2011:			
Cost	905	901	1,806
Accumulated depreciation	(439)	(562)	(1,001)
Net carrying amount	466	339	805
At 31 December 2012:			
Cost	946	901	1,847
Accumulated depreciation	(603)	(724)	(1,327)
Net carrying amount	343	177	520
At 31 December 2013:			
Cost	1,015	901	1,916
Accumulated depreciation	(765)	(811)	(1,576)
Net carrying amount	250	90	340
At 30 June 2014:			
Cost	1,015	901	1,916
Accumulated depreciation	(835)	(811)	(1,646)
Net carrying amount	180	90	270

15. INVESTMENT IN A SUBSIDIARY

Company

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	10,000	10,000	10,000

Particulars of the Subsidiary are as follows:

Name	Registered share capital *RMB*	Place of registration	Percentage of equity attributable to the Target Company Direct	Principal activities
Xi'an Hengfu Commerce Management Co., Ltd.	10,000,000	PRC	100%	Property Management

16. INVENTORIES

Group

		At 31 December			At 30 June
		2011	2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	*(a)*	1,017,035	1,711,238	1,339,832	758,310
Completed properties held for sale	*(b)*	187,442	135,219	391,654	549,559
Others		–	90	90	–
		1,204,477	1,846,547	1,731,576	1,307,869

Company

		At 31 December			At 30 June
		2011	2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	*(a)*	1,017,035	1,711,238	1,339,832	758,310
Completed properties held for sale	*(b)*	187,442	135,219	391,654	549,559
		1,204,477	1,846,457	1,731,486	1,307,869

(a) Properties under development

Group and Company

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	1,398,547	1,017,035	1,711,238	1,339,832
Additions (including development costs, land use rights and capitalised expenditure)	666,655	699,568	729,861	336,404
Transfer to completed properties held for sale	(1,048,167)	(5,365)	(1,101,267)	(917,926)
Carrying amount at end of year/period	1,017,035	1,711,238	1,339,832	758,310

Expected to be recovered:

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	876,144	772,337	195,082
After more than one year	1,017,035	835,094	567,495	563,228
	1,017,035	1,711,238	1,339,832	758,310

The Target Group's properties under development are situated in Mainland China and are held under the following lease terms:

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long term leases	692,795	1,226,621	1,072,651	362,710
Medium term leases	324,240	484,617	267,181	395,600
	1,017,035	1,711,238	1,339,832	758,310

Certain of the Target Group's properties under development with an aggregate carrying amounts of RMB324,086,000, RMB584,679,000, RMB787,399,000 and RMB499,942,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, were pledged to secure bank loans granted to the Target Group (notes 23, 27).

(b) Completed properties held for sale

The Target Group's completed properties held for sale are situated in Mainland China and are held under the following lease terms:

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long term leases	187,442	135,219	79,925	261,971
Medium term leases	–	–	311,729	287,588
	187,442	135,219	391,654	549,559

All the completed properties held for sale are stated at cost.

Certain of the Target Group's completed properties held for sale with an aggregate carrying amounts of RMB170,847,000, RMB nil, RMB269,811,000 and RMB440,051,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, were pledged to secure bank loans granted to the Target Group (notes 23, 27).

17. TRADE RECEIVABLES

Group and Company

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	19,990	16,585

The Target Group's trade receivables arise mainly from the sale of properties. Consideration in respect of properties sold is payable in accordance with the terms of the corresponding sale and purchase agreements.

The Target Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the delivery date of properties, is as follows. These trade receivables are not considered to be impaired.

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	–	–	19,990	–
1 to 6 months	–	–	–	16,585
	–	–	19,990	16,585

Receivables relate to a number of diversified customers for whom there was no recent history of default.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

		At 31 December			At 30 June
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments		1,843	5,270	23	–
Deposits		7,464	7,267	11,757	11,757
Prepaid other taxes		39,175	79,297	74,632	26,665
Due from related parties	*(a)*	1,166,883	1,055,641	1,486,291	1,620,000
Other receivables		40,944	40,834	33,020	8,497
		1,256,309	1,188,309	1,605,723	1,666,919

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

(a) The balances due from related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

19. PREPAID TAXES AND TAXES PAYABLE

(a) Prepaid taxes

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC corporate income tax	–	38,212	7,106	–
PRC land appreciation tax	19,528	34,789	34,889	19,570
	19,528	73,001	41,995	19,570

(b) Taxes payable

Group

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC corporate income tax	23,650	11,178	33,414	30,409
PRC land appreciation tax	995	2,725	2,607	749
	24,645	13,903	36,021	31,158

Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC corporate income tax	23,650	11,178	33,410	30,408
PRC land appreciation tax	995	2,725	2,607	749
	24,645	13,903	36,017	31,157

20. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH

Group

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	100,684	50,567	261,119	260,554
Time deposits	–	–	210,000	10,000
	100,684	50,567	471,119	270,554
Less:				
Restricted cash *(note (a))*	–	(9,753)	(126,407)	(54,186)
Pledged time deposits for a bank loan *(note 23, 27)*	–	–	(210,000)	(10,000)
Cash and cash equivalents	100,684	40,814	134,712	206,368

Company

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	100,684	40,668	251,200	250,633
Time deposits	–	–	210,000	10,000
	100,684	40,668	461,200	260,633
Less:				
Restricted cash *(notes (a))*	–	(9,753)	(126,407)	(54,186)
Pledged time deposits for a bank loan *(note 23, 27)*	–	–	(210,000)	(10,000)
Cash and cash equivalents	100,684	30,915	124,793	196,447

Note:

(a) Pursuant to the relevant regulations in the PRC, the Target Group is required to place in the designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the related property development projects when the approval from the relevant local government authorities is obtained.

All of the Target Group's cash and bank balances were denominated in Renminbi ("RMB") as at 31 December 2011, 2012 and 2013 and 30 June 2014. The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	18,942	101,247	235,176	291,256
Over 1 year	148	–	–	–
	19,090	101,247	235,176	291,256

The trade payables are non-interest-bearing and repayable within the normal operating cycle ranged from 7 months to 12 months or on demand.

22. OTHER PAYABLES AND ACCRUALS

Group and Company

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	6,870	15,070	105,982	7,249
Accruals	4,459	4,320	5,427	1,021
Due to related parties	10,529	–	–	425
Other taxes payable	31,166	29,442	33,747	26,822
	53,024	48,832	145,156	35,517

The financial liabilities included in the above balance are non-interest-bearing and have no fixed terms of repayment.

23. INTEREST-BEARING BANK BORROWINGS

Group and Company

	31 December 2011			31 December 2012			31 December 2013			30 June 2014		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current												
Current portion of long term bank loans, secured	6.65-6.72	2012	200,000	6.72	2013	160,000	7.07	2014	24,000	7.07-8.00	2014-2015	547,500
Non-current												
Bank loans, secured	6.46	2013-2014	180,000	6.72	2014	20,000	7.07-7.38	2015	456,000	8.00	2015	62,500
			380,000			180,000			480,000			610,000

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	200,000	160,000	24,000	547,500
In the second year	160,000	20,000	456,000	62,500
In the third to fifth years, inclusive	20,000	–	–	–
	380,000	180,000	480,000	610,000

Notes:

(i) RMB380,000,000, RMB180,000,000, RMB480,000,000 and RMB610,000,000 of the Target Group's bank loans were secured by the properties under development and the completed properties held for sale as at 31 December 2011, 2012 and 2013 and 30 June 2014, details of which are disclosed in note 16 of this section.

(ii) RMB200,000,000 of the Target Group's bank loans as at 31 December 2013 were secured by the pledged time deposits amounting to RMB200,000,000 (note 20) as at 31 December 2013.

(iii) RMB280,000,000 and RMB260,000,000 of the Target Group's bank loans were secured by the pledged time deposits amounting to RMB10,000,000 (note 20) as at 31 December 2013 and 30 June 2014, respectively.

(iv) RMB280,000,000 and RMB260,000,000 of the Target Group's bank loans were guaranteed by Shenyang Capital Xinzi Real Estate Company Limited ("Shenyang Capital"), which is a fellow subsidiary of the Target Company as at 31 December 2013 and 30 June 2014, respectively.

24. ISSUED CAPITAL

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered, issued and fully paid	1,169,184	1,169,184	1,169,184	1,169,184

25. RESERVES

Reserve funds

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations, the Target Company's article of association and the resolution of the board of directors.

The statutory surplus reserve can be used to offset prior years' losses, if any, and or to increase capital, provided that the balance after such conversion is not less than 25% of the registered capital.

The changes in the reserves of the Target Company during the Relevant Periods were as follows:

	Reserve funds	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	3,547	924	4,471
Total comprehensive income for the year	–	207,368	207,368
Transfer from retained profits	20,737	(20,737)	–
At 31 December 2011 and 1 January 2012	24,284	187,555	211,839
Total comprehensive income for the year	–	11,341	11,341
Transfer from retained profits	1,134	(1,134)	–
Dividends declared	–	(187,555)	(187,555)
At 31 December 2012 and 1 January 2013	25,418	10,207	35,625
Total comprehensive income for the year	–	234,462	234,462
Transfer from retained profits	23,446	(23,446)	–
At 31 December 2013 and 1 January 2014	48,864	221,223	270,087
Total comprehensive income for the period	–	181,100	181,100
Transfer from retained profits	18,110	(18,110)	–
Dividends declared	–	(384,000)	(384,000)
At 30 June 2014	66,974	213	67,187

26. CONTINGENT LIABILITIES

The Target Group and the Target Company had the following financial guarantees as at the end of each of the Relevant Periods:

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Target Group's properties *(note a)*	737,925	698,843	1,080,270	1,243,209
Guarantees given to bank in connection with loans granted to a related party *(note b)*	–	–	279,000	279,000
	737,925	698,843	1,359,270	1,522,209

Note:

(a) At 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Target Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks. Under the above arrangement, the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Target Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interests and penalties.

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

The fair value of the guarantees is not significant and the Directors consider that in the case of default on payments, the net realisable value of the related properties can cover the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the Financial Information for the guarantees.

(b) At 31 December 2013 and 30 June 2014, the Target Group provided guarantees in respect of loans granted to Shenyang Capital by certain bank.

The fair value of the guarantees is not significant and the Directors consider that the risk of default in payment is remote, and therefore no provision for the guarantees has been made in these financial statements.

27. PLEDGE OF ASSETS

At the end of each of the Relevant Periods, the following assets of the Target Group and the Target Company were pledged to certain banks for securing the loans.

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits *(note 20)*	–	–	210,000	10,000
Properties under development *(note 16 (a))*	324,086	584,679	787,399	499,942
Completed properties held for sale *(note 16 (b))*	170,847	–	269,811	440,051
	494,933	584,679	1,267,210	949,993

28. COMMITMENTS

(a) Operating lease commitments

The Target Group leased certain of its office properties under operating lease arrangements in 2012. The leases were negotiated for a term of 3 years.

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

Group and Company

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	168	168	112
In the second to fifth years, inclusive	–	196	28	–
	–	364	196	112

(b) Capital commitments for property development

The Target Group and the Target Company had the following capital commitments as at the end of each of the Relevant Periods.

Group and Company

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	181,635	295,807	791,021	702,546

29. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Financial Information, the Target Group had the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest income from a related party *(Note (a))*	–	5,500	–	–	–
Consultancy fee paid to a related party	16,008	13,006	22,000	15,000	19,000
Fund provided to related parties	1,927,000	2,298,500	1,476,000	577,000	3,856,500
Funds repaid by related parties	1,606,832	2,415,242	1,045,350	456,350	3,722,791
Funds provided by related parties	10,168	–	–	–	–
Funds repaid to related parties	–	10,168	–	–	–

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

Except for the consultancy fee paid to Beijing Capital Land Ltd., the indirect non-controlling shareholder of the Target Company, all the other transactions mentioned above were conducted with Beijing Capital Land Ltd. and its subsidiaries, joint ventures and associates.

Note:

(a) Interest income of RMB5,500,000 arose from fund of RMB200,000,000 lent to Beijing Xingtai Jicheng Property Co.,Ltd ("Xingtai Jicheng"), a subsidiary of Beijing Capital Land Limited, from September 2012 to November 2012, which carried an interest rate of 15%.

Except for the above mentioned interest-bearing loan lent to Xingtai Jicheng, the funds provided to related parties were interest free.

30. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2011

Group and Company

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,215,291
Cash and cash equivalents	100,684
	1,315,975

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	19,090
Financial liabilities included in other payables and accruals	48,565
Dividend payable	31,000
Interest-bearing bank borrowings	380,000
	478,655

31 December 2012

Group

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,103,742
Restricted cash	9,753
Cash and cash equivalents	40,814
	1,154,309

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	101,247
Financial liabilities included in other payables and accruals	44,512
Dividend payable	218,555
Interest-bearing bank borrowings	180,000
	544,314

Company

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,103,742
Restricted cash	9,753
Cash and cash equivalents	30,915
	1,144,410

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	101,247
Financial liabilities included in other payables and accruals	44,512
Dividend payable	218,555
Interest-bearing bank borrowings	180,000
	544,314

31 December 2013

Group

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	19,990
Financial assets included in prepayments, deposits and other receivables	1,531,068
Restricted cash	126,407
Pledged deposits	210,000
Cash and cash equivalents	134,712
	2,022,177

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	235,176
Financial liabilities included in other payables and accruals	139,729
Dividend payable	218,555
Interest-bearing bank and borrowings	480,000
	1,073,460

Company

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	19,990
Financial assets included in prepayments, deposits and other receivables	1,531,068
Restricted cash	126,407
Pledged deposits	210,000
Cash and cash equivalents	124,793
	2,012,258

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	235,176
Financial liabilities included in other payables and accruals	139,729
Dividend payable	218,555
Interest-bearing bank borrowings	480,000
	1,073,460

30 June 2014

Group

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	16,585
Financial assets included in prepayments, deposits and other receivables	1,640,254
Restricted cash	54,186
Pledged deposits	10,000
Cash and cash equivalents	206,368
	1,927,393

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	291,256
Financial liabilities included in other payables and accruals	34,496
Dividend payable	590,155
Interest-bearing bank and borrowings	610,000
	1,525,907

Company

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	16,585
Financial assets included in prepayments, deposits and other receivables	1,640,254
Restricted cash	54,186
Pledged deposits	10,000
Cash and cash equivalents	196,447
	1,917,472

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	291,256
Financial liabilities included in other payables and accruals	34,496
Dividend payable	590,155
Interest-bearing bank borrowings	610,000
	1,525,907

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's and the Target Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group and Company

	Carrying amounts				Fair values			
	At 31 December			At 30 June	At 31 December			At 30 June
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Interest-bearing bank borrowings	380,000	180,000	480,000	610,000	380,000	180,000	480,000	610,000

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

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group and the Target Company's financial instruments:

Liabilities for which fair values are disclosed:

Group and Company

	Significant observable inputs (Level 2)			
	At 31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	380,000	180,000	480,000	610,000

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank borrowings, amounts due from/to related parties and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the Relevant Periods, the Target Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's interest-bearing bank borrowings with floating interest rates. Borrowings at floating rates expose the Target Group to cash flow interest-rate risk. During the Relevant Periods, the Target Group did not enter into any interest rate swaps to hedge its exposure to interest rate risk. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

The management of the Target Group continuously monitors the interest rate position of the Target Group and makes decisions with reference to the latest market conditions.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a customer contract, leading to a financial loss. The Target Group is exposed to credit risk from its properties sale and from its financing activities, including deposits with banks. Credit risk is managed by monitoring the receivables on an ongoing basis and the Target Group's exposure to bad debts is not significant.

The credit risk of the Target Group's other financial assets, which comprise cash and bank balances, trade receivables, amounts due from related parties, deposits and other receivables arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Group trades only with recognised and creditworthy individuals, there is no requirement for collateral. There are no significant concentrations of credit risk within the Target Group as the customer bases of the Target Group's trade receivables are widely dispersed.

The Target Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 26 of this section.

Liquidity risk

The Target Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet the its commitments.

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

Group and Company

31 December 2011

	Within 1 year or on demand	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	19,090	–	–	–	19,090
Financial liabilities included in other payables and accruals	48,565	–	–	–	48,565
Dividend payable	31,000	–	–	–	31,000
Interest-bearing bank borrowings	209,591	180,932	23,286	–	413,809
	308,246	180,932	23,286	–	512,464

31 December 2012

	Within 1 year or on demand	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	101,247	–	–	–	101,247
Financial liabilities included in other payables and accruals	44,512	–	–	–	44,512
Dividend payable	218,555	–	–	–	218,555
Interest-bearing bank borrowings	170,127	21,936	–	–	192,063
	534,441	21,936	–	–	556,377

31 December 2013

	Within 1 year or on demand	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	235,176	–	–	–	235,176
Financial liabilities included in other payables and accruals	139,729	–	–	–	139,729
Dividend payable	218,555	–	–	–	218,555
Interest-bearing bank borrowings	25,260	505,064	–	–	530,324
	618,720	505,064	–	–	1,123,784

30 June 2014

	Within 1 year or on demand	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	291,256	–	–	–	291,256
Financial liabilities included in other payables and accruals	34,496	–	–	–	34,496
Dividend payable	590,155	–	–	–	590,155
Interest-bearing bank borrowings	577,561	63,705	–	–	641,266
	1,493,468	63,705	–	–	1,557,173

Capital management

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

The Target Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or raise additional captial. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital on the basis of the debt-to-equity ratio. The ratio is calculated as net debt divided by shareholders' equity. Net debt is calculated as total interest-bearing bank borrowings less cash and cash equivalents, pledged deposits and restricted cash. Shareholders' equity comprises all components of equity (including non-controlling interests). The Target Group aims to maintain the debt-to-equity ratio at a reasonable level. The debt-to-equity rations at the end of each of the Relevant Periods were as follows:

Group

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	380,000	180,000	480,000	610,000
Less: Cash and cash equivalents	100,684	40,814	134,712	206,368
Restricted cash	–	9,753	126,407	54,186
Pledged deposits	–	–	210,000	10,000
Net debt	279,316	129,433	8,881	339,446
Shareholders' equity	1,381,023	1,204,798	1,439,276	1,236,291
Debt-to-equity ratio	20%	11%	1%	27%

III. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group, the Target Company or its subsidiary in respect of any period subsequent to 30 June 2014.

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWELVE MONTHS ENDED 31 MARCH 2014

Set out below is the auditor's report extracted from the annual report of the Company for the twelve months ended 31 March 2014.

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Hodgson Impey Cheng Limited

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JUDA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Juda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 79, which comprise the consolidated and the Company statements of financial position as at 31 March 2014, and 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 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.

Auditors' 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, 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 auditors' judgment, 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 auditors consider internal control relevant to the entity's preparation of the 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 Company and of the Group as at 31 March 2014 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 16 May 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	*8*	331,472	252,437
Cost of sales		(300,852)	(211,964)
Gross profit		30,620	40,473
Other revenue	*9*	1,093	610
Selling expenses		(927)	(769)
Administrative expenses		(18,723)	(18,347)
Profit from operations	*10*	12,063	21,967
Finance costs	*11*	(3,785)	(4,462)
Profit before taxation		8,278	17,505
Taxation	*14*	(5,158)	(7,437)
Profit for the year		3,120	10,068
Other comprehensive income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		3,192	1,303
Other comprehensive income for the year, net of income tax		3,192	1,303
Total comprehensive income for the year		6,312	11,371
Profit for the year attributable to owners of the Company		3,120	10,068
Total comprehensive income for the year attributable to owners of the Company		6,312	11,371
Earnings per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	*17*	1.56	5.03
– Diluted *(HK cents per share)*	*17*	1.56	5.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Prepaid lease payments	*19*	1,824	1,849
Prepayments on acquisition of property, plant and equipment		23,266	18,638
Property, plant and equipment	*18*	73,790	77,612
		98,880	98,099
Current assets			
Inventories	*23*	66,720	75,996
Trade and bills receivables	*21*	9,263	16,757
Prepayments, deposits and other receivables	*22*	28,505	25,926
Pledged bank deposits	*24*	31,026	–
Cash and cash equivalents	*24*	23,887	37,472
		159,401	156,151
Current liabilities			
Trade payables	*25*	239	2,381
Receipt in advance		581	302
Accruals and other payables	*26*	7,503	3,419
Income tax payable		4,924	4,117
Bank borrowings	*27*	50,306	55,615
		63,553	65,834
Net current assets		95,848	90,317
Total assets less current liabilities		194,728	188,416
Capital and reserves			
Share capital	*29*	2,000	2,000
Reserves	*29*	192,728	186,416
Total equity		194,728	188,416

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	*20*	–	–
Current assets			
Cash and cash equivalents	*24*	261	10,814
Prepayments	*22*	109	9
Amounts due from subsidiaries	*20*	19,975	19,441
		20,345	30,264
Current liabilities			
Accruals	*26*	2,000	400
Amount due to a subsidiary	*20*	914	914
		2,914	1,314
Net current assets		17,431	28,950
Total assets less current liabilities		17,431	28,950
Capital and reserves			
Share capital	*29*	2,000	2,000
Reserves	*29*	15,431	26,950
Total equity		17,431	28,950

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital	Share premium	Contribution surplus	Exchange reserve	Statutory reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 29(a)	*Note 29(a)*	*Note 29(b)*	*Note 29(c)*	*Note 29(d)*		
At 1 April 2012	10	–	79,990	17,129	6,160	35,697	138,986
Profit for the year	–	–	–	–	–	10,068	10,068
Other comprehensive income for the year, net of tax:							
Exchange differences on translating of foreign operations	–	–	–	1,303	–	–	1,303
Total comprehensive income for the year	–	–	–	1,303	–	10,068	11,371
Issue of shares under the public offering	500	52,409	–	–	–	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–	–	–	–
Share issuing expenses	–	(14,850)	–	–	–	–	(14,850)
Current year appropriation	–	–	–	–	2,251	(2,251)	–
At 31 March 2013 and 1 April 2013	2,000	36,069	79,990	18,432	8,411	43,514	188,416
Profit for the year	–	–	–	–	–	3,120	3,120
Other comprehensive income for the year, net of tax:							
Exchange differences on translating of foreign operations	–	–	–	3,192	–	–	3,192
Total comprehensive income for the year	–	–	–	3,192	–	3,120	6,312
Current year appropriation	–	–	–	–	1,601	(1,601)	–
At 31 March 2014	2,000	36,069	79,990	21,624	10,012	45,033	194,728

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	8,278	17,505
Adjustments for:		
Amortisation of prepaid lease payments for land use rights	57	56
Depreciation of property, plant and equipment	5,502	5,656
Interest income	(417)	(532)
Finance costs	3,785	4,462
Operating cash flows before movements in working capital	17,205	27,147
Decrease in trade and bills receivables	7,789	24,185
Decrease/(increase) in inventories	10,613	(42,027)
Increase in prepayments, deposits and other receivables	(2,124)	(15,421)
Decrease in trade payables	(2,184)	(2,912)
Increase/(decrease) in accruals and other payables	4,031	(4,264)
Increase in receipt in advance	274	302
Cash generated from/(used in) operations	35,604	(12,990)
PRC tax paid	(4,446)	(4,227)
Net cash generated from/(used in) operating activities	31,158	(17,217)

	2014	2013
	HK$'000	*HK$'000*
Investing activities		
Interest received	417	532
Increase in prepayments on acquisition of property, plant and equipment	(4,301)	(18,638)
Purchase of property, plant and equipment	(338)	(156)
Net cash used in investing activities	(4,222)	(18,262)
Financing activities		
Interest paid	(3,785)	(4,462)
Proceeds from issue of shares	–	52,909
Share issuing expenses	–	(14,850)
Increase in pledged bank deposits	(31,026)	–
Proceeds from new bank loans	106,899	55,615
Repayment of bank loans	(113,188)	(61,794)
Net cash (used in)/generated from financing activities	(41,100)	27,418
Net decrease in cash and cash equivalents	(14,164)	(8,061)
Cash and cash equivalents at the beginning of the year	37,472	44,758
Effect of foreign exchange rate changes	579	775
Cash and cash equivalents at the end of the year	23,887	37,472
Analysis of balances of cash and cash equivalents		
Cash and bank equivalents	23,887	37,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. General information

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The principal activity of the Company is investment holdings. The activities of its principal subsidiaries are set out in Note 20 to the consolidated financial statements, and the Company's shares were listed on the Main Board of the Stock Exchange on 2 April 2012. The Company's immediate holding company is Get Thrive Limited ("GTL"), a company incorporated in British Virgin Islands. GTL is an indirectly wholly-owned subsidiary of Beijing Capital Land Limited ("BCL"). BCL is a joint stock company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). The parent company of BCL is Beijing Capital Group Company Limited ("Capital Group"). Capital Group is a state-owned enterprise incorporated in the PRC.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries in Renminbi ("RMB"). The management considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2013.

A summary of the new HKFRSs adopted by the Group is set out as follows:

HKFRS 1 (Amendments)	Government Loan
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy are described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific

conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non- financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share- based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9 HKFRS 7 and HKAS 39[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HK(IFRIC)-Int 21	Levies[1]

1 effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

2 effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

3 no mandatory effective date yet determined but is available for adoption

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 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 – Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK(IFRIC)-Int 21 Levies

HK (IFRIC)-Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with HKFRSs requires 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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 assets.

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 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 principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in

equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified 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 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting for common control combination

The financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets 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 transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; 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 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets (other than goodwill and intangible assets with indefinite lives)

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives on a straight line basis. Intangible assets are tested for impairment either individually or at the cash-generating unit level when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of impairment loss is recognised as income immediately.

Impairments of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(a) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest of asset that generates cash inflows independently (i.e. a cash-generating unit).

(b) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss and other comprehensive income in the year in which the reversals are recognised.

Related party transactions

A party is considered to be related to the Group if:

(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 the key management personnel of the Group or of a parent of the Group.

(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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Building	40 years
Plant and machinery	5-20 years
Furniture, fixtures and equipment	5 years
Motor vehicle	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Leases

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already

incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statements of profit or loss and other comprehensive income.

Financial assets

The Group's financial assets are classified into one of the following categories, including available-for-sale (AFS) financial assets and 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.

Income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity.

(a) those that the entity upon initial recognition designated as at fair value through profit or loss;

(b) those that the entity designates as available for sales; and

(c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of it is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments that are measured at cost less any identified impairment losses at the end of the reporting period.

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 (including trade and other receivables, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where 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.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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.

Impairment based on AFS equity securities will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the AFS financial assets revaluation reserve. For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities 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 the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 the 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.

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables) are subsequently measured at amortised cost 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

Income tax

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Provided it is probable that the economic benefits will flows to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(a) Sales of goods

Sale of chemicals are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Turnover excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(b) Interest income

Interest income from a financial assets (other than a financial asset at fair value through profit or loss) 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 assets to that asset's net carrying amount on initial recognition.

Employee benefits

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and the statement of profit or loss and other comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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 cost 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.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

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 business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

Share-based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the 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 the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When 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 earnings.

4. Significant accounting judgments and estimates

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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.

The following are the critical judgments, apart from those involving estimations, that the directors have 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.

(a) Income taxes

The Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(c) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(d) Depreciation and amortisation

Items of property, plant and equipment and prepaid lease payments are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense and amortisation for future periods are adjusted if there are significant changes from previous estimates.

5. Financial instruments

(a) Categories of financial instruments

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables				
– trade and bills receivables	9,263	16,757	–	–
– financial assets included in prepayments, deposits and other receivables	490	480	–	–
– amounts due from subsidiaries	–	–	19,975	19,441
– pledged bank deposits	31,026	–	–	–
– cash and cash equivalents	23,887	37,472	261	10,814
	64,666	54,709	20,236	30,255
Financial liabilities				
At amortised cost				
– trade payables	239	2,381	–	–
– financial liabilities included in accruals and other payables	3,986	2,138	2,000	400
– amount due to a subsidiary	–	–	914	914
– bank borrowings	50,306	55,615	–	–
	54,531	60,134	2,914	1,314

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, pledged bank deposits, cash and cash equivalents, trade payables, accruals and other payables and bank borrowings. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Credit risk

The carrying amounts of trade and bills receivables and amounts due from related companies included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 100% of total trade receivables were due from the Group's largest customers as at 31 March 2014 and 2013 respectively.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average effective interest rate	On demand or within 1 year	Over 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014					
Trade payables	–	239	–	239	239
Accruals and other payables	–	3,986	–	3,986	3,986
Bank borrowings	6.58	50,306	–	50,306	50,306
		54,531	–	54,531	54,531
As at 31 March 2013					
Trade payables	–	2,381	–	2,381	2,381
Accruals and other payables	–	2,138	–	2,138	2,138
Bank borrowings	6.60	55,615	–	55,615	55,615
		60,134	–	60,134	60,134

The Company

	Weighted average effective interest rate	On demand or within 1 year	Over 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014					
Accruals	–	2,000	–	2,000	2,000
Amounts due to a subsidiary	–	914	–	914	914
		2,914	–	2,914	2,914
As at 31 March 2013					
Accruals	–	400	–	400	400
Amounts due to a subsidiary	–	914	–	914	914
		1,314	–	1,314	1,314

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (Note 27). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$277,000 (2013: HK$278,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency as the functional currency of each entity of the Group.

In the opinion of the directors of the Company, since the Company risk is minimal, no sensitivity analysis is presented.

Commodity risk

Given that Phthalic Anhydrie ("PA") and orthoxylene is a by-product of crude oil, the Group's profitability depends on the prices of crude oil. Prices of crude oil are affected by numerous factors such as exchange rates, inflation or deflation and global and regional supply and demand. The Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of crude oil. Therefore, fluctuations in the prices of crude oil, and hence, prices of orthoxylen, will have a direct effect on the Group's sales and profit. However, the management monitors the commodity risk exposure and will consider hedging significant commodity risk exposure should the need arise.

Fair value measurement

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quote 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

6. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting period.

The capital structure of the Group consists of bank borrowings and total assets.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This calculated by dividing the total borrowings with total assets. The Group's overall strategy remains unchanged during the reporting period. The gearing ratios at the end of the reporting period were as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Total borrowings *(Note)*	50,306	55,615
Total assets	258,281	254,250
Gearing ratio *(%)*	19.5%	21.9%

Note: Total borrowings comprise bank borrowings *(Note 27)*.

7. Segment information

The Group currently operates in one operating segment in the manufacture and sales of chemicals in the PRC. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated result for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information separately.

During each of the reporting periods, all revenue is derived from customers in the People's Republic of China (the "PRC") and almost all the non-current assets of the Group are located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about products is set out in Note 8 on these consolidated financial statements.

Information about major customers

The Group's customer base includes 1 and 2 customers with whom transactions have exceeded 10% of the Group's turnover during the years ended 31 March 2014 and 2013, sales from these customers are set out below:

	2014	**2013**
	HK$'000	*HK$'000*
Customer A	88,010	69,406
Customer B *(Note)*	N/A	28,765

Note: No information on turnover for the current year is disclosed for this customer since it contributed less than 10% of the Group's turnover for the year ended 31 March 2014.

8. Turnover

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Turnover from		
Sale of Phthalic Anhydride ("PA")	302,759	229,503
Sale of fumaric acid and other by-products of PA	28,713	22,934
	331,472	252,437

9. Other revenue

	2014	2013
	HK$'000	*HK$'000*
Interest income on bank deposits	417	532
Government grants *(Note)*	566	–
Sundry income	110	78
	1,093	610

Note: Government grants mainly represent incentive subsided and there are no conditions or limitations attached to these subsides by respective PRC government authorities.

10. Profit from operations

The Group's profit for the year from operations is arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' emoluments *(Note 12)*):		
Wages and salaries	8,430	9,069
Provident fund contributions	14	39
Pension scheme contributions	638	693
Staff welfare expenses	454	504
	9,536	10,305
Other items:		
Depreciation of owned property, plant and equipment *(Note 18)*	5,502	5,656
Amortisation of prepaid lease payments for land use right *(Note 19)*	57	56
Auditors' remuneration	1,800	1,650
Listing expenses	–	4,882
Cost of inventories sold	300,008	211,353
Operating lease rentals in respect of land and building	692	635

For the years ended 31 March 2014 and 2013, the cost of catalysts recognised as cost of sales were approximately HK$1,331,000 and HK$1,158,000 respectively.

11. Finance costs

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings wholly repayable within one year	3,762	4,462
– Early redemption of bills receivables	23	–
	3,785	4,462

12. Directors' emoluments

Pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

	2014	2013
	HK$'000	*HK$'000*
Fees	636	540
Other emoluments:		
Salaries, allowances and benefits in kind	1,350	1,800
Provident fund contributions	23	29
Total	2,009	2,369

Details for the emoluments of each director of the Company during the reporting period are as follows:

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2014				
Executive directors:				
Mr. Choi Lim Chi *(Note (c))*	–	450	23	473
Mr. Chen Fan *(Note (a) and (c))*	–	450	–	450
Mr. Lee Lit Mo Johnny *(Note (c))*	–	450	–	450
Mr. Tang Jun *(Note (d))*	–	–	–	–
Mr. Zhong Beichen *(Note (b) and (d))*	–	–	–	–
Mr. Huang Dongsheng *(Note (e))*	–	–	–	–
Non-executive directors:				
Mr. Liu Xiaoguang *(Note (d))*	–	–	–	–
Mr. Wang Hao *(Note (d))*	–	–	–	–
Independent non-executive directors:				
Mr. Yan Wai Kiu *(Note (c))*	135	–	–	135
Mr. Wong Kin Tak *(Note (c))*	135	–	–	135
Mr. Choi Kin Cheong *(Note (c))*	135	–	–	135
Mr. He Xiaofeng *(Note (d))*	77	–	–	77
Ms. Zhao Yuhong *(Note (d))*	77	–	–	77
Dr. Ngai Wai Fung *(Note (d))*	77	–	–	77
	636	1,350	23	2,009
2013				
Executive directors:				
Mr. Choi Lim Chi *(Note (c))*	–	600	29	629
Mr. Chen Fan *(Note (a) and (c))*	–	600	–	600
Mr. Lee Lit Mo Johnny *(Note (c))*	–	600	–	600
Independent non-executive directors:				
Mr. Yan Wai Kiu *(Note (c))*	180	–	–	180
Mr. Wong Kin Tak *(Note (c))*	180	–	–	180
Mr. Choi Kin Cheong *(Note (c))*	180	–	–	180
	540	1,800	29	2,369

Notes:

(a) Mr. Chen Fan is the chief executive officer up to 21 December 2013.

(b) Mr. Zhong Beichen is the chief executive officer from 21 December 2013.

(c) The Company's executive directors and independent non-executive directors were all appointed on 7 February 2012 and resigned on 21 December 2013.

(d) The Company's executive directors, non-executive directors and independent non-executive directors were all appointed on 21 December 2013.

(e) Mr. Huang Dongsheng was appointed as executive director on 19 June 2013 and retired on 2 September 2013.

13. Employees emoluments

(a) Five highest paid individuals

The five highest paid individuals during the year included three directors (2013: three). The detail of the emoluments of the remaining two (2013: two) highest paid individuals are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Salaries and other emoluments	440	526
Retirement scheme contribution	35	21
	475	547

The emoluments of the two (2013: two) individuals with the highest emoluments within the following band are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Nil to HK$1,000,000	2	2

During the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the reporting period (2013: Nil).

(b) Senior management of the Company

The emoluments of the senior management (excluding directors) of the Company are within the following band.

	2014	2013
	HK$'000	*HK$'000*
Nil to HK$1,000,000	1	0

During the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the senior management waived or agreed to waive any emoluments during the reporting period (2013: Nil).

14. Taxation

	2014	2013
	HK$'000	*HK$'000*
Current tax for the year – PRC enterprise income tax	5,158	7,437

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2013: Nil).

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been

provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A reconciliation of the income tax expense applicable to profit before taxation using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

Year ended 31 March 2014

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	20,878		(12,600)		8,278	
Tax at the statutory tax rate	5,220	25.0	(2,079)	(16.5)	3,141	37.9
Tax effect of income not taxable for tax purpose	(306)	(1.5)	–	–	(306)	(3.6)
Tax effect of expenses not deductible for tax purpose	244	1.2	2,079	16.5	2,323	28.1
Tax effect for the year	5,158	24.7	–	–	5,158	62.4

Year ended 31 March 2013

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	29,956		(12,451)		17,505	
Tax at the statutory tax rate	7,489	25.0	(2,054)	(16.5)	5,435	31.0
Tax effect of income not taxable for tax purpose	(509)	(1.7)	–	–	(509)	(2.9)
Tax effect of expenses not deductible for tax purpose	457	1.5	2,054	16.5	2,511	14.3
Tax effect for the year	7,437	24.8	–	–	7,437	42.4

15. Loss of the company

The loss for the year dealt with in the financial statements of the Company amounted to HK$11,519,000 (2013: HK$8,569,000).

16. Dividends

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

17. Earnings per share attributable to owners of the company

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company for the purpose of basic earnings per share calculation	3,120	10,068
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	200,000,000	200,000,000

Diluted earnings per share is the same as the basic earnings per share as there were no potential diluted ordinary share in existence for the years ended 31 March 2014 and 2013.

18. Property, plant and equipment

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
As at 1 April 2012	34,910	90,326	837	920	126,993
Exchange alignment	235	611	6	6	858
Additions	–	63	16	77	156
As at 31 March 2013 and 1 April 2013	35,145	91,000	859	1,003	128,007
Exchange alignment	618	1,601	15	17	2,251
Disposals	–	–	–	(143)	(143)
Additions	–	327	11	–	338
As at 31 March 2014	35,763	92,928	885	877	130,453
Accumulated depreciation					
As at 1 April 2012	6,915	36,308	592	592	44,407
Exchange alignment	52	272	4	4	332
Charge for the year	905	4,674	41	36	5,656
As at 31 March 2013 and 1 April 2013	7,872	41,254	637	632	50,395
Exchange alignment	144	743	11	11	909
Written off on disposal	–	–	–	(143)	(143)
Charge for the year	1,331	4,092	31	48	5,502
As at 31 March 2014	9,347	46,089	679	548	56,663
Net book value					
As at 31 March 2014	26,416	46,839	206	329	73,790
As at 31 March 2013	27,273	49,746	222	371	77,612

Note: Certain buildings, plant and machinery and furniture, fixtures and equipment with net book amount approximately HK$19,937,000, HK$45,884,000 and HK$125,000 as at 31 March 2014 (2013: approximately HK$27,273,000, HK$43,525,000 and HK$26,000) are pledged collaterals for the Group's bank borrowings. Please refer to Note 34 for details.

19. Prepaid lease payments

	2014	2013
	HK$'000	*HK$'000*
Leasehold land in the PRC:		
– Medium-term lease	1,881	1,905
Analysed for reporting purpose as:		
– Current assets *(Note 22)*	57	56
– Non-current assets	1,824	1,849
	1,881	1,905

The Group's prepaid lease payments amounts represent the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has possessed the land use rights of the leasehold land during the lease term.

As at 31 March 2014, prepaid lease payments with net book amount of approximately HK$1,881,000 (2013: approximately HK$1,905,000) are pledged as collaterals for Group's bank borrowings. Please refer to Note 34 for details.

20. Interests in subsidiaries and amounts due from/(to) subsidiaries

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	19,975	19,441
Amount due to a subsidiary	(914)	(914)
	19,061	18,527

The amounts due from/(to) subsidiaries are unsecured, interest-free and recoverable/repayable on demand.

Details of the Company's subsidiaries at 31 March 2014 are as follows:

Name of subsidiary	Place and date of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Percentage of equity, effective interest and voting power held by the Company		Principal activities
			%		
Shengfa Limited	British Virgin Islands, 5 July 2010	US$1	100%	–	Investment holding
Cheng Wang Limited	British Virgin Islands, 5 July 2010	US$1	–	100%	Investment holding
Great Top Investment Limited	Hong Kong, 1 April 1993	HK$10,000	–	100%	Investment holding
Nice World Chemical Industry (Xiamen) Co., Ltd.	The PRC, 22 December 1995	US$12,121,500	–	100%	Manufacture and sale of chemicals

21. Trade and bills receivables

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	3,972	7,629
Bills receivables	5,291	9,128
	9,263	16,757

The carrying amounts of trade and bills receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days (2013: 30 days) to those long standing customers with good payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables of the Group at the end of the reporting period, net of provision for impairment is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	3,972	7,629

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. No trade receivables were past due at the end of each reporting period.

The Group does not hold any collateral over the balances.

22. Prepayments, deposits and other receivables

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments *(Note (a))*	27,032	23,167	109	9
Prepayments and deposits for cost of catalysts *(Note (b))*	926	2,223	–	–
Prepaid lease payments for land use rights – current portion *(Note 19)*	57	56	–	–
Other receivables	490	480	–	–
	28,505	25,926	109	9

Notes:

(a) The amount was mainly for purchase of raw material.

(b) The Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and as a cost incurred during the production process and recognised as cost of sales throughout the estimated useful life. As at 31 March 2014, the carrying amount of catalysts was approximately HK$926,000 (2013: HK$2,223,000). For the year ended 31 March 2014, the cost of catalysts recognised as cost of sales was approximately HK$1,331,000 (2013: HK$1,158,000).

23. Inventories

Inventories in the consolidated statement of financial position comprises:

	2014	2013
	HK$'000	*HK$'000*
Raw materials	51,970	45,528
Work in progress	2,860	2,608
Finished goods	11,890	27,860
	66,720	75,996

24. Cash and cash equivalents and pledged bank deposits

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	23,887	37,472	261	10,814

At the end of the reporting period, the cash at bank and in hand of the Group denominated in RMB amounted to approximately HK$22,448,000 (2013: HK$26,171,000). Cash at banks earns interest at floating rates based on the prevailing market rate which at 0.35% per annum during the reporting period (2013: 0.35%). The cash and banks are deposits with creditworthy banks with no recent history of default. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Pledged bank deposits:

As at 31 March 2014, a bank deposit denominated in RMB amounted to approximately HK$31,026,000 (2013: Nil) were pledged as collateral for bank borrowings and the effective interest rate on pledged bank deposits is 3.0%.

25. Trade payables

	2014	2013
	HK$'000	*HK$'000*
Trade payables	239	2,381

The ageing analysis of trade payables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	18	185
31-60 days	2	12
61-90 days	–	–
Over 90 days	219	2,184
	239	2,381

The trade payables are non-interest-bearing and are normally settled on or before the delivery and may allow to settle within 30 days.

26. Accruals and other payables

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	4,541	2,309	–	–
Accruals	2,962	1,110	2,000	400
	7,503	3,419	2,000	400

Other payables mainly comprised the VAT payable amounting to approximately HK$3,517,000 as of 31 March 2014 (2013: HK$1,281,000). The remaining other payables are non-interest bearing and are due to mature within one year.

27. Bank borrowings

	2014	2013
	HK$'000	*HK$'000*
Bank borrowings – secured	50,306	55,615

	2014	2013
	HK$'000	*HK$'000*
Carrying amount repayables:		
On demand or within one year	50,306	55,615

Bank borrowings at:

	2014	2013
	HK$'000	*HK$'000*
– floating interest rate	50,306	55,615

The carrying amount of the Group's bank borrowings are all originally denominated in RMB.

The contractual floating interest rates per annum in respect of bank borrowings were within the following ranges:

	2014	2013
	%	%
Floating	6.30-6.90	6.60-8.53

Note: Details of assets were pledged to bank to secure the Group's banking facilities, please refer to the Note 34.

28. Deferred tax

As at 31 March 2014 and 2013, the Group and the Company did not have any unused estimated tax loss available for offset against future profits.

29. Capital and reserves

(a) Share capital and share premium

The Company

	Number of ordinary shares	Share capital
		HK$'000
Authorised:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	1,000,000,000	10,000

	Par value	Number of ordinary shares	Share capital	Share premium
	HK$		*HK$'000*	*HK$'000*
Issued and fully paid:				
At 1 April 2012		1,000,000	10	–
Issue of shares under the public offering *(note (i))*	0.01	50,000,000	500	52,409
Issue of shares under the capitalisation issue *(note (ii))*	0.01	149,000,000	1,490	(1,490)
Share issuing expenses		–	–	(14,850)
At 31 March 2013, 1 April 2014 and 31 March 2014		200,000,000	2,000	36,069

Notes:

(i) On 2 April 2012, the Company issued 50,000,000 new ordinary shares (the "Offer Shares") of HK$0.01 each for cash pursuant to the Company's initial public offering and placing at a price of HK$1.10 per share to the public for listing of those shares on the Stock Exchange.

(ii) On 2 April 2012, the Company issued 149,000,000 new ordinary shares of HK$0.01 each by capitalisation of HK$1,490,000 standing to the credit of the Company's share premium account as a result of the issue of the Offer Shares. The 149,000,000 shares paying up in full at par were allotted and issued to Lian Wang Limited.

(b) Contribution surplus

During the year ended 31 March 2012, the amount due to a director and a shareholder in the sum of HK$79,990,000 were fully capitalised pursuant to the reorganisation.

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than HK$ which are dealt with in accordance with the accounting policies as set out in Note 3.

(d) Statutory reserve

In accordance with the Company Law of the PRC, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory reserve (the "SR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SR of the PRC subsidiary was HK$10,012,000 and HK$8,411,000 as at 31 March 2014 and 2013 respectively.

(e) Statement of changes in equity

The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

The Company

	Share capital	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	10	–	(550)	(540)
Loss for the year	–	–	(8,569)	(8,569)
Issue of shares under the public offer	500	52,409	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–
Share issuing expenses	–	(14,850)	–	(14,850)
At 31 March 2013 and 1 April 2013	2,000	36,069	(9,119)	28,950
Loss for the year	–	–	(11,519)	(11,519)
At 31 March 2014	2,000	36,069	(20,638)	17,431

30. Significant related party transactions

Save as disclosed elsewhere in the consolidated financial statements of Notes 10, 12, 13 and 20, the Group had entered into transactions with related parties which, in the opinion of directors, were carried out no normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Key management personnel remuneration:

	2014	2013
	HK$'000	*HK$'000*
Short term employees benefits	2,426	2,866
Retirement benefits schemes contributions	58	50
	2,484	2,916

31. Contingent liabilities

The Group and the Company did not have any contingent liabilities as at 31 March 2014 and 2013.

32. Operating lease commitments

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments payable under non-cancellable operating leases in respect of land and properties rented with lease terms of 20 years and 1 year respectively which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	575	683
In the second to fifth years, inclusive	2,300	2,260
Over five years	6,756	7,204
	9,631	10,147

33. Capital commitments

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	17,456	12,829

34. Pledge of assets

At the end of each reporting period, the following assets were pledged to bank to secure the Group's banking facilities in Note 27:

	2014	2013
	HK$'000	*HK$'000*
Bank deposits	31,026	–
Buildings	19,937	27,273
Plant and machinery	45,884	43,525
Furniture, fixtures and equipment	125	26
Prepaid lease payments	1,881	1,905
	98,853	72,729

35. Share option scheme

The Company adopted the scheme (the "Scheme") on 14 March 2012 (the "Adoption Date") which will remain in force for a period of 10 years commencing from the Adoption Date.

Under the Scheme, the directors may at their discretion grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive Directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

During the years ended 31 March 2014 and 2013, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

36. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 May 2014.

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWELVE MONTHS ENDED 31 MARCH 2013

Set out below is the auditor's report extracted from the annual report of the Company for the twelve months ended 31 March 2013.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JUDA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Juda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 76, which comprise the consolidated and Company statements of financial position as at 31 March 2013, and 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.

Auditors' 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, 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 Standard 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 auditors' judgment, 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 auditors consider 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 Company and of the Group as at 31 March 2013 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 14 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	252,437	294,425
Cost of sales		(211,964)	(255,852)
Gross profit		40,473	38,573
Other revenue	8	610	578
Selling expenses		(769)	(697)
Administrative expenses		(18,347)	(9,308)
Profit from operations	9	21,967	29,146
Finance costs	10	(4,462)	(4,567)
Profit before taxation		17,505	24,579
Taxation	12	(7,437)	(4,336)
Profit for the year		10,068	20,243
Other comprehensive income for the year, net of tax:			
Exchange difference on translation of foreign operations		1,303	4,282
Total comprehensive income for the year, net of tax		11,371	24,525
Profit for the year attributable to owners of the Company		10,068	20,243
Total comprehensive income attributable to owners of the Company		11,371	24,525
Earnings per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	15	5.03	10.12
– Diluted *(HK cents per share)*	15	5.03	10.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Prepaid lease payments	*17*	1,849	1,892
Prepayments on acquisition of property, plant and equipment		18,638	–
Property, plant and equipment	*16*	77,612	82,586
		98,099	84,478
Current assets			
Inventories	*21*	75,996	33,741
Trade and bills receivables	*19*	16,757	40,667
Prepayments, deposits and other receivables	*20*	25,926	10,472
Cash and cash equivalents	*22*	37,472	44,758
		156,151	129,638
Less: Current liabilities			
Trade payables	*23*	2,381	5,257
Receipt in advance		302	–
Accruals and other payables	*24*	3,419	7,634
Income tax payable		4,117	859
Bank borrowings	*25*	55,615	61,380
		65,834	75,130
Net current assets		90,317	54,508
Total assets less current liabilities		188,416	138,986
Capital and reserves			
Share capital	*28*	2,000	10
Reserves	*28*	186,416	138,976
Total equity		188,416	138,986

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	*18*	–	–
Current assets			
Cash and cash equivalents	*22*	10,814	–
Prepayments	*20*	9	278
Amounts due from subsidiaries	*18*	19,441	10
		30,264	288
Less: Current liabilities			
Accruals	*24*	400	400
Amounts due to subsidiaries	*26*	914	428
		1,314	828
Net current assets/(liabilities)		28,950	(540)
Total assets less current liabilities		28,950	(540)
Capital and reserves			
Share capital	*28*	2,000	10
Reserves	*28*	26,950	(550)
Total equity		28,950	(540)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Share capital	Share premium	Contribution surplus	Exchange reserve	Other reserve	Statutory reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 28(a)	*Note 28(a)*	*Note 28(b)*	*Note 28(c)*	*Note 28(d)*	*Note 28(e)*		
At 1 April 2011	–	–	–	12,847	10	3,711	27,903	44,471
Profit for the year	–	–	–	–	–	–	20,243	20,243
Other comprehensive income for the year, net of tax:								
Exchange differences on translation of foreign operations	–	–	–	4,282	–	–	–	4,282
Total comprehensive income for the year	–	–	–	4,282	–	–	20,243	24,525
Effect of Group reorganisation	10	–	79,990	–	(10)	–	–	79,990
Dividend recognised as distribution	–	–	–	–	–	–	(10,000)	(10,000)
Current year appropriation	–	–	–	–	–	2,449	(2,449)	–
At 31 March 2012 and 1 April 2012	10	–	79,990	17,129	–	6,160	35,697	138,986
Profit for the year	–	–	–	–	–	–	10,068	10,068
Other comprehensive income for the year, net of tax:								
Exchange differences on translation of foreign operations	–	–	–	1,303	–	–	–	1,303
Total comprehensive income for the year	–	–	–	1,303	–	–	10,068	11,371
Issue of shares under the public offering	500	52,409	–	–	–	–	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–	–	–	–	–
Share issuing expenses	–	(14,850)	–	–	–	–	–	(14,850)
Current year appropriation	–	–	–	–	–	2,251	(2,251)	–
At 31 March 2013	2,000	36,069	79,990	18,432	–	8,411	43,514	188,416

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	17,505	24,579
Adjustments for:		
Amortisation of prepaid lease payments for land use rights	56	55
Depreciation of property, plant and equipment	5,656	5,548
Interest income	(532)	(564)
Finance costs	4,462	4,567
Operating cash flow before working capital changes	27,147	34,185
Decrease/(increase) in trade and bills receivables	24,185	(28,153)
Increase in inventories	(42,027)	(13,101)
(Increase)/decrease in prepayments, deposits and other receivables	(15,421)	1,122
Decrease in trade payables	(2,912)	(1,559)
(Decrease)/increase in accruals and other payables	(4,264)	2,800
Increase/(decrease) in receipt in advance	302	(9,254)
Increase in amount due to a director	–	1
Increase in amount due to a shareholder	–	6,294
Cash used in operations	(12,990)	(7,665)
PRC tax paid	(4,227)	(5,749)
Net cash used in operating activities	(17,217)	(13,414)

	2013	2012
	HK$'000	*HK$'000*
Cash flows from investing activities		
Interest received	532	564
Increase in prepayments on acquisition of property, plant and equipment	(18,638)	–
Purchase of property, plant and equipment	(156)	(735)
Net cash used in investing activities	(18,262)	(171)
Cash flows from financing activities		
Dividend paid	–	(10,000)
Interest paid	(4,462)	(4,567)
Proceeds from issue of shares under the public offering	52,909	–
Share issuing expenses	(14,850)	–
Proceeds from new bank loans	55,615	61,380
Repayment of bank loans	(61,794)	(61,380)
Net cash generated from/(used in) financing activities	27,418	(14,567)
Net decrease in cash and cash equivalents	(8,061)	(28,152)
Cash and cash equivalents at the beginning of the year	44,758	70,143
Effect of foreign currency exchange rate changes	775	2,767
Cash and cash equivalents at the end of the year	37,472	44,758
Analysis of balances of cash and cash equivalents		
Cash and bank balances	37,472	44,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. General information and reorganisation

Juda International Holdings Limited is a limited liability company incorporated in Cayman Islands on 9 August 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-111, Cayman Islands and its principal place of business in Hong Kong is located at Room 01C, 10th Floor, Kin Wing Commercial Building, 24-30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong.

The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Upon the completion of the Reorganisation on 15 February 2012, the Company became the holding company of the companies comprising the Group. The Reorganisation included the following principal steps:

(a) On 1 July 2010, Lian Wang Limited (the "Lian Wang") was incorporated in the British Virgin Islands (the "BVI") with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the date of its incorporation, 1 share and 9,999 shares were issued and allotted to Mr. Choi Lim Chi ("Mr. Choi") and Ms. Wong Sai ("Mrs. Choi"), the ultimate shareholders of the Company, respectively.

(b) On 9 August 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, one nil-paid subscriber share was transferred to Lian Wang.

(c) On 5 July 2010, Shengfa Limited ("Shengfa") was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 27 August 2010, 1 share was issued and allotted to the Company for cash at par.

(d) On 5 July 2010, Cheng Wang Limited ("Cheng Wang") was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 27 August 2010, 1 share was issued and allotted to Shengfa for cash at par.

(e) On 3 February 2012, Cheng Wang acquired (i) the entire issued share capital of Great Top Investment Limited ("Great Top") from Mr. Choi and Mrs. Choi; and (ii) all the outstanding indebtedness in the aggregate sum of HK$79,990,000 due or owing from Great Top to Mr. Choi and Mrs. Choi. In consideration for such acquisition:

(i) Cheng Wang had, at the direction of Mr. Choi and Mrs. Choi, procured the Company to:

(aa) allot and issue 999,999 new shares, credited as fully paid, to Lian Wang;

(bb) credit as fully paid at par 1 nil-paid share held by Lian Wang;

(ii) 1 ordinary share of US$1.00 each in Shengfa, credited as fully paid, was allotted and issued to the Company; and

(iii) 1 ordinary share of US$1.00 each in Cheng Wang, credited as fully paid, was allotted and issued to Shengfa.

The shares of the Company have been listed on the Stock Exchange since 2 April 2012.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these consolidated financial statements have been prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), assuming that the current structure of the Group had been in existence throughout the year ended 31 March 2012.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and sale of chemicals in the People's Republic of China (the "PRC").

In the opinion of the directors, the Company's ultimate holding company is Lian Wang.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The HKICPA has issued certain new and revised standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 April 2012. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below:

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The directors anticipate that the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Government Loans[2]
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]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HK(IFRIC)-Int 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*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not

subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK(SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under

HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors anticipate that the application of these five standards will have no impact to the Group's consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 Presentation of Financial Statements;
- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

HKAS 1 (Amendments)

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

3. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified 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 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting for common control combination

The financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statement of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets 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 transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; 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 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 another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are

adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets (other than goodwill and intangible assets with indefinite lives)

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives on a straight line basis. Intangible assets are tested for impairment either individually or at the cash-generating unit level when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of impairment loss is recognised as income immediately.

Impairments of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated statement of comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(a) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest of asset that generates cash inflows independently (i.e. a cash-generating unit).

(b) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

Related party transactions

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Group or of a parent of the Group.

(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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic

benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Building	40 years
Plant and machinery	5-20 years
Furniture, fixtures and equipment	5 years
Motor vehicle	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Leases

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments that are measured at cost less any identified impairment losses at the end of the reporting period.

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 (including trade and other receivables and cash and cash equivalents) 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 when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where 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.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 the 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 other than financial liabilities classified as at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, amount due to a director, amount due to a shareholder and obligation under finance lease) are subsequently measured at amortised cost 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Income tax

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) sale of chemicals are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Turnover excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts; and

(b) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not

probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated statements of comprehensive income in the period in which they are incurred.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

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 business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

Share-based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the 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 the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When 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 earnings.

4. Significant accounting judgments and estimates

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

The 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.

(a) Income taxes

The Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(c) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

5. Financial instruments and capital risk management

(a) Categories of financial instruments

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables				
– trade and bills receivables	16,757	40,667	–	–
– financial assets included in prepayments, deposits and other receivables	480	465	–	–
– amounts due from subsidiaries	–	–	19,441	10
– cash and cash equivalents	37,472	44,758	10,814	–
	54,709	85,890	30,255	10
Financial liabilities				
At amortised cost				
– trade payables	2,381	5,257	–	–
– financial liabilities included in accruals and other payables	2,138	1,815	400	400
– amounts due to subsidiaries	–	–	914	428
– bank borrowings	55,615	61,380	–	–
	60,134	68,452	1,314	828

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables and bank borrowings. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Credit risk

The carrying amounts of trade and bills receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 85% and 100% of total trade receivables was due from the Group's five largest customers as at 31 March 2013 and 2012 respectively.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

The Group

	Weighted average effective interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013						
Trade payables	–	2,381	–	2,381	–	2,381
Accruals and other payables	–	2,138	–	2,138	–	2,138
Bank borrowings	6.60	55,615	–	55,615	–	55,615
		60,134	–	60,134	–	60,134
2012						
Trade payables	–	5,257	–	5,257	–	5,257
Accruals and other payables	–	1,815	–	1,815	–	1,815
Bank borrowings	8.53	61,380	–	61,380	–	61,380
		68,452	–	68,452	–	68,452

The Company

	Weighted average effective interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013						
Accruals	–	400	–	400	–	400
Amounts due to subsidiaries	–	914	914	–	–	914
		1,314	914	400	–	1,314
2012						
Accruals	–	400	–	400	–	400
Amounts due to subsidiaries	–	428	428	–	–	428
		828	428	400	–	828

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis on interest rate risk

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 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 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2013 and 2012 would decrease/increase by approximately HK$278,000 and HK$307,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Commodity risk

Given that orthoxylene is a by-product of crude oil, the Group's profitability depends on the prices of crude oil. Prices of crude oil are affected by numerous factors such as exchange rates, inflation or deflation and global and regional supply and demand. The Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of crude oil. Therefore, fluctuations in the prices of crude oil, and hence, prices of orthoxylen, will have a direct effect on the Group's sales and profit. However, the management monitors the commodity risk exposure and will consider hedging significant commodity risk exposure should the need arise.

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quote 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

(c) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 2012.

The Group monitors capital using a gearing ratio, which is total debts divided by total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting period are as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Total debts[#]	55,615	61,380
Total assets	254,250	214,116
Gearing ratio	0.22	0.29

[#] *Total debts comprise bank borrowings as detailed in Note 25.*

6. Operating segment

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance.

The Group currently operates in one business segment in the manufacture and sale of chemicals in the PRC. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

Turnover from major products

The Group's turnover from its major products is as follows:

	2013	2012
	HK$'000	*HK$'000*
Turnover:		
Sale of Phthalic Anhydride ("PA")	229,503	258,582
Sale of fumaric acid and other by-products of PA	22,934	35,843
	252,437	294,425

Information about geographical areas

As all of the Group's turnover is derived from customers based in the PRC and the Group's identifiable assets and liabilities are mainly located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

The Group's customer base includes 2 and 3 customers with whom transactions have exceeded 10% of the Group's turnover during the years ended 31 March 2013 and 2012, sales from these customers are set out below:

	2013	2012
	HK$'000	*HK$'000*
Customer A	N/A	30,396
Customer B	N/A	40,391
Customer C	69,406	95,175
Customer D	28,765	N/A

7. Turnover

The principal activities of the Group are the manufacture and the sale of chemicals in the PRC. The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Turnover:		
Sale of PA	229,503	258,582
Sale of fumaric acid and other by-products of PA	22,934	35,843
	252,437	294,425

8. Other revenue

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Other revenue:		
Bank interest income	532	564
Sundry income	78	14
	610	578

9. Profit from operations

The Group's profit for the year from operations is arrived at after charging:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' remuneration *(Note 11)*):		
Wages and salaries	9,069	6,003
Provident fund contributions	39	33
Pension scheme contributions	693	538
Staff welfare expenses	504	135
	10,305	6,709
Other items:		
Depreciation of owned property, plant and equipment *(Note 16)*	5,656	5,548
Amortisation of prepaid lease payments for land use right *(Note 17)*	56	55
Auditors' remuneration	1,650	1,500
Listing expenses	4,882	3,305
Cost of inventories sold	211,353	255,383
Operating lease rentals in respect of land and building	635	615

For the years ended 31 March 2013 and 2012, the cost of catalysts recognised a HK$1,158,000 and HK$1,135,000 respectively.

10. Finance costs

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within one year	4,462	4,567

11. Directors' and key management personnel emoluments

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, are as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Fees	540	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,800	586
Provident fund contributions	29	24
Total	2,369	610

(b) Independent non-executive directors' emoluments

The fees paid to independent non-executive directors for the year are as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Mr. Yan Wai Kiu	180	–
Mr. Wong Kin Tak	180	–
Mr. Choi Kin Cheong	180	–
	540	–

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the independent non-executive directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which an independent non-executive director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

(c) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2013				
Executive directors:				
Mr. Choi Lim Chi	–	600	29	629
Mr. Chen Fan	–	600	–	600
Mr. Lee Lit Mo Johnny	–	600	–	600
	–	1,800	29	1,829
2012				
Executive directors:				
Mr. Choi Lim Chi	–	396	24	420
Mr. Chen Fan	–	190	–	190
Mr. Lee Lit Mo Johnny	–	–	–	–
	–	586	24	610

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

During the years ended 31 March 2013 and 2012, Mr. Chen Fan, an executive director of the Group, was also the chief executive of the Group.

(d) Five highest paid employees

The five highest paid employees of the Group during the years ended 31 March 2013 and 2012 are analysed as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Directors	1,829	610
Non-directors	547	427
	2,376	1,037

Details of the remuneration of the above non-director, highest paid employees during the years ended 31 March 2013 and 2012 are as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	526	399
Pension scheme contributions	21	28
	547	427

The pension scheme contributions represented the Group's statutory contributions to a defined contribution pension scheme organised by the PRC government and were determined based on certain percentage of the salaries of the employees.

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	The Group	
	2013	**2012**
Nil to HK$1,000,000	2	3

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

12. Taxation

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Current tax for the year – PRC enterprise income tax	7,437	4,336

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2012: Nil).

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, Nice World Chemical Industry (Xiamen) Co., Ltd. ("NWCI"), and indirect wholly-owned subsidiary of the Company, which was established as wholly foreign-owned enterprise in the PRC, was entitled to a full exemption from the state and local corporate income tax of the PRC for their first two profitable years of operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three years. NWCI is also entitled to a preferential corporate income tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011 respectively, in accordance with the relevant laws and regulations in the PRC as it was established in the special economic zone in the PRC.

The two-year tax exemption period for NWCI expired on 31 December 2008, and a three-year 50% tax relief commenced on 1 January 2009.

The tax concessions enjoyed by NWCI, including the preferential corporate income tax rate and 50% tax relief allowed, was expired on 31 December 2011.

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A reconciliation of the income tax expense applicable to profit before taxation using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

Year ended 31 March 2013

	The PRC		**Hong Kong**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	29,956		(12,451)		17,505	
Tax at the statutory tax rate	7,489	25.0	(2,054)	(16.5)	5,435	31.0
Tax effect of income not taxable for tax purpose	(509)	(1.7)	–	–	(509)	(2.9)
Tax effect of expenses not deductible for tax purpose	457	1.5	2,054	16.5	2,511	14.4
Tax effect for the year	7,437	24.8	–	–	7,437	42.5

Year ended 31 March 2012

	The PRC		**Hong Kong**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	28,825		(4,246)		24,579	
Tax at the statutory tax rate	7,206	25.0	(701)	(16.5)	6,505	26.5
Tax effect of income not taxable for tax purpose	(463)	(1.6)	–	–	(463)	(1.9)
Tax effect of expenses not deductible for tax purpose	194	0.6	701	16.5	895	3.6
Lower tax rate for specific provinces or local authority	(200)	(0.6)	–	–	(200)	(0.8)
Tax exemption	(2,401)	(8.4)	–	–	(2,401)	(9.8)
Tax effect for the year	4,336	15.0	–	–	4,336	17.6

13. Loss attributable to owners of the company

The loss attributable to owners of the Company for the year ended 31 March 2013 included a loss of approximately HK$8,569,000 (2012: HK$550,000) which has been dealt with in the consolidated financial statements of the Company.

14. Dividend

Prior to the Reorganisation

	2013	2012
	HK$'000	*HK$'000*
Dividend paid by the following company:		
Great Top	–	10,000

The amounts represented the dividends paid by a subsidiary of the Company to its owners prior to the Reorganisation. Accordingly, the rate of dividend and the number of shares ranking for the above dividend have not been presented as such information is not meaningful.

After the Reorganisation

No dividend has been paid or declared by the Company after the Reorganisation.

The directors do not recommend the payments of any dividend after the Reorganisation and for the year ended 31 March 2013.

15. Earnings per share attributable to owners of the company

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the years ended 31 March 2013 and 2012, and on the assumptions that the 200,000,000 ordinary shares with par value of HK$0.01 each in issue as at the date of listing of the Company's shares on the Stock Exchange were outstanding throughout the years ended 31 March 2013 and 2012.

	2013	**2012**
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	10,068	20,243
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	200,000,000	200,000,000

Diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares in existence during the years ended 31 March 2013 and 2012.

16. Property, plant and equipment

The Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2011	33,710	86,526	793	888	121,917
Exchange alignment	1,200	3,081	28	32	4,341
Additions	–	719	16	–	735
At 31 March 2012 and 1 April 2012	34,910	90,326	837	920	126,993
Exchange alignment	235	611	6	6	858
Additions	–	63	16	77	156
At 31 March 2013	35,145	91,000	859	1,003	128,007
Accumulated depreciation					
At 1 April 2011	5,803	30,603	516	540	37,462
Exchange alignment	217	1,141	19	20	1,397
Charge for the year	895	4,564	57	32	5,548
At 31 March 2012 and 1 April 2012	6,915	36,308	592	592	44,407
Exchange alignment	52	272	4	4	332
Charge for the year	905	4,674	41	36	5,656
At 31 March 2013	7,872	41,254	637	632	50,395
Carrying amounts					
At 31 March 2013	27,273	49,746	222	371	77,612
At 31 March 2012	27,995	54,018	245	328	82,586

As at 31 March 2013, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$27,273,000, HK$43,525,000 and HK$26,000 have been pledged as security for bank borrowings (Note 25).

As at 31 March 2012, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$27,995,000, HK$47,591,000 and HK$31,000 have been pledged as security for bank borrowings (Note 25).

17. Prepaid lease payments

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
The Group's prepaid lease payments for land use rights comprise:		
Leasehold land in the PRC:		
– Medium-term lease	1,905	1,948
Analysed for reporting purpose as:		
– Current assets *(Note 20)*	56	56
– Non-current assets	1,849	1,892
	1,905	1,948

The Group's prepaid lease payments amounts represent the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has possessed the land use rights of the leasehold land during the lease term.

As at 31 March 2013, prepaid lease payments for land use rights of approximately HK$1,905,000 (2012: HK$1,948,000) have been pledged as security for bank borrowings (Note 25).

18. Interests in subsidiaries

	The Company	
	2013	**2012**
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Less: Provision for impairment loss of investment cost	–	–
	–	–
Amounts due from subsidiaries *(Note (a))*	19,441	10

Particulars of the Company's subsidiaries at 31 March 2013 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company (Direct)	Percentage of equity attributable to the Company (Indirect)	Principal activities and place of operation
Shengfa	British Virgin Islands, limited liability company	US$1	100%	–	Investment holding, Hong Kong
Cheng Wang	British Virgin Islands, limited liability company	US$1	–	100%	Investment holding, Hong Kong
Great Top	Hong Kong, limited liability company	HK$10,000	–	100%	Investment, holding, Hong Kong
NWCI	The PRC, limited liability company	US$8,000,000	–	100%	Manufacture and sale of chemicals, the PRC

Note:

(a) The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and recoverable on demand.

19. Trade and bills receivables

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Trade receivables	7,629	38,420
Bills receivable	9,128	2,247
	16,757	40,667

The carrying amounts of trade and bills receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days (2012: 30 days) to those long standing customers with good

payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables of the Group at the end of the reporting period, net of provision for impairment is as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within 30 days	7,629	34,332
31 to 60 days	–	2,321
61 to 90 days	–	1,767
	7,629	38,420

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Overdue by:		
1 to 30 days	–	2,321
31 to 60 days	–	1,767
	–	4,088

20. Prepayments, deposits and other receivables

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	23,167	8,995	9	278
Prepayments for cost of catalysts	2,223	956	–	–
Prepaid lease payments for land use rights – current portion *(Note 17)*	56	56	–	–
Other receivables	480	465	–	–
	25,926	10,472	9	278

As at 31 March 2013, prepayments mainly comprise of prepayments for purchase of raw materials.

As at 31 March 2012, prepayments mainly comprise of prepaid listing expenses and prepayments for purchase of raw materials.

The Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and as a cost incurred during the production process and recognised as cost of sales throughout the estimated useful life. As at 31 March 2013, the carrying amount of catalysts was approximately HK$2,223,000 (2012: HK$956,000). For the year ended 31 March 2013, the cost of catalysts recognised as cost of sales was approximately HK$1,158,000 (2012: HK$1,135,000).

21. Inventories

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	45,528	6,194
Work in progress	2,608	1,643
Finished goods	27,860	25,904
	75,996	33,741

22. Cash and cash equivalents

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	37,472	44,758	10,814	–

At the end of the reporting period, the cash at bank and in hand of the Group denominated in RMB amounted to approximately HK$26,171,000 (2012: HK$33,540,000). Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and banks are deposits with creditworthy banks with no recent history of default. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. Trade payables

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables	2,381	5,257

An ageing analysis of trade payables of the Group as at the end of the reporting period as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	185	4,924
31 to 60 days	12	–
61 to 90 days	–	–
Over 90 days	2,184	333
	2,381	5,257

The trade payables are non-interest-bearing and are normally settled on or before the delivery and may allow to settle within 30 days.

24. Accruals and other payables

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	2,309	7,062	–	–
Accruals	1,110	572	400	400
	3,419	7,634	400	400

Other payables mainly comprised the VAT payable amounting to approximately HK$1,281,000 as of 31 March 2013 (2012: HK$5,819,000). The remaining other payables are non-interest bearing and are due to mature within one year.

25. Bank borrowings

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Bank borrowings – secured		
– wholly repayable within one year	55,615	61,380

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Bank borrowings – secured		
– within one year	55,615	61,380
Less: amount repayable within one year included in current liabilities	(55,615)	(61,380)
	–	–

The range of effective interest rate on bank borrowings for the year ended 31 March 2013 was 6.60%-8.53% per annum (2012: 6.67%-8.53% per annum).

As at 31 March 2013, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,905,000, HK$27,273,000, HK$43,525,000 and HK$26,000 respectively.

As at 31 March 2012, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,948,000, HK$27,995,000, HK$47,591,000 and HK$31,000 respectively.

All bank borrowings are denominated in RMB.

26. Amounts due to subsidiaries

The amounts due to subsidiaries were unsecured, interest-free and repayable on demand.

27. Deferred tax

As at 31 March 2013 and 2012, the Group and the Company did not have any unused estimated tax loss available for offset against future profits.

28. Capital and reserves

(a) Share capital and share premium

The Company

	Par value	Number of ordinary shares	Share capital
	HK$		*HK$'000*
Authorised:			
At 1 April 2011 *(note (i))*	0.01	38,000,000	380
Increase in authorised share capital *(note (ii))*	0.01	962,000,000	9,620
At 31 March 2012, 1 April 2012 and 31 March 2013		1,000,000,000	10,000

	Par value	Number of ordinary shares	Share capital	Share premium
	HK$		*HK$'000*	*HK$'000*
Issued and fully paid:				
At 1 April 2011 *(note (i))*	0.01	1	–	–
Issue of new shares and credit 1 nil-paid share as fully paid *(note (iii))*	0.01	999,999	10	–
At 31 March 2012 and 1 April 2012		1,000,000	10	–
Issue of shares under the public offering *(note (iv))*	0.01	50,000,000	500	52,409
Issue of shares under the capitalisation issue *(note (v))*	0.01	149,000,000	1,490	(1,490)
Share issuing expenses		–	–	(14,850)
At 31 March 2013		200,000,000	2,000	36,069

Notes:

(i) As at 1 April 2011, the share capital of the Group represents the issued share capital of the Company with authorised share capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. There was one nil-paid share held by Lian Wang Limited as at 1 April 2011.

(ii) Pursuant to the written resolutions of the sole shareholder passed on 14 March 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 shares.

(iii) On 3 February 2012, the Company allotted and issued 999,999 new shares at HK$0.01 each, credited as fully paid, to Lian Wang, and the one nil paid share held by Lian Wang was credited as fully paid at HK$0.01 each. There were 1,000,000 shares of HK$0.01 each in the share capital of the Company held by Lian Wang as at 31 March 2012.

(iv) On 2 April 2012, the Company issued 50,000,000 new ordinary shares (the "Offer Shares") of HK$0.01 each for cash pursuant to the Company's initial public offering and placing at a price of HK$1.10 per share to the public for listing of those shares on the Stock Exchange.

(v) On 2 April 2012, the Company issued 149,000,000 new ordinary shares of HK$0.01 each by capitalisation of HK$1,490,000 standing to the credit of the Company's share premium account as a result of the issue of the Offer Shares. The 149,000,000 shares paying up in full at par were allotted and issued to Lian Wang.

(b) Contribution surplus

During the year ended 31 March 2012, the amount due to a director and a shareholder in the sum of approximately HK$79,990,000 were fully capitalised pursuant to the Reorganisation as detailed in Note 1.

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than HK$ which are dealt with in accordance with the accounting policies as set out in Note 3.

(d) Other reserve

During the year ended 31 March 2011, the amount of approximately HK$10,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in Note 1.

(e) Statutory reserve

In accordance with the Company Law of the PRC, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory reserve (the "SR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SR of the PRC subsidiary was approximately HK$8,411,000 and HK$6,160,000 as at 31 March 2013 and 2012 respectively.

(f) Statement of changes in equity

The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

The Company

	Share capital	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2011	–	–	–	–
Loss for the year	–	–	(550)	(550)
Effect of Group reorganisation	10	–	–	10
At 31 March 2012 and 1 April 2012	10	–	(550)	(540)
Loss for the year	–	–	(8,569)	(8,569)
Issue of shares under the public offer	500	52,409	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–
Share issuing expenses	–	(14,850)	–	(14,850)
At 31 March 2013	2,000	36,069	(9,119)	28,950

29. Material related party transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Compensation of key management personnel of the Group, including directors' remuneration as detailed in Note 11 above.

	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,374	1,193
Provident fund contributions	29	24
Pension scheme contributions	82	68
Total compensation paid to key management personnel	3,485	1,285

30. Contingent liabilities

The Group and the Company did not have any contingent liabilities as at 31 March 2013 and 2012.

31. Operating lease commitments

As lessee

As at 31 March 2013 and 2012, the Group had outstanding commitments payable under non-cancellable operating leases in respect of land and properties rented with lease terms of 20 years and 1 year respectively which fall due as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	683	655
In the second to fifth years, inclusive	2,260	2,245
Over five years	7,204	7,717
	10,147	10,617

32. Capital commitments

As at 31 March 2013 and 2012, the Group had outstanding capital commitments as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Commitments for the acquisition of property, plant and equipment	12,829	–

33. Pledge of assets

As at 31 March 2013, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK$1,905,000, HK$27,273,000, HK$43,525,000 and HK$26,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

As at 31 March 2012, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK$1,948,000, HK$27,995,000, HK$47,591,000 and HK$31,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

34. Share option scheme

The Company adopted the scheme (the "Scheme") on 14 March 2012 (the "Adoption Date") which will remain in force for a period of 10 years commencing from the Adoption Date.

Under the Scheme, the directors may at their discretion grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive Directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

During the years ended 31 March 2013 and 2012, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

35. Events after the reporting period

There were no significant events that have occurred subsequent to the end of the reporting period.

36. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 June 2013.

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWELVE MONTHS ENDED 31 MARCH 2012

Set out below is the auditor's report extracted from the annual report of the Company for the twelve months ended 31 March 2012.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
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11 Pedder Street
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JUDA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Juda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 74, which comprise the consolidated and Company statements of financial position as at 31 March 2012, and 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.

Auditors' 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, 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 Standard on Auditing issued by the Hong Kong 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 auditors' judgment, 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 auditors consider 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 March 2012 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 25 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	294,425	202,727
Cost of sales		(255,852)	(166,341)
Gross profit		38,573	36,386
Other revenue	8	578	638
Selling expenses		(697)	(449)
Administrative expenses		(9,308)	(7,625)
Profit from operations	9	29,146	28,950
Finance costs	10	(4,567)	(3,550)
Profit before taxation		24,579	25,400
Taxation	12	(4,336)	(3,354)
Profit for the year		20,243	22,046
Other comprehensive income for the year, net of tax:			
Exchange difference on translation of foreign operations		4,282	4,136
Total comprehensive income for the year, net of tax		24,525	26,182
Profit for the year attributable to owners of the Company		20,243	22,046
Total comprehensive income attributable to owners of the Company		24,525	26,182
Earnings per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	15	10.12	11.02
– Diluted *(HK cents per share)*	15	10.12	11.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Prepaid lease payments	*17*	1,892	1,881
Property, plant and equipment	*16*	82,586	84,455
		84,478	86,336
Current assets			
Inventories	*21*	33,741	19,931
Trade and bills receivables	*19*	40,667	12,084
Prepayments, deposits and other receivables	*20*	10,472	11,275
Cash and cash equivalents	*22*	44,758	70,143
		129,638	113,433
Less: Current liabilities			
Trade payables	*23*	5,257	6,582
Receipt in advance		–	8,936
Accruals and other payables	*24*	7,634	4,668
Amount due to a director	*27*	–	7
Amount due to a shareholder	*28*	–	73,688
Income tax payable		859	2,147
Bank borrowings	*25*	61,380	59,270
		75,130	155,298
Net current assets/(liabilities)		54,508	(41,865)
Total assets less current liabilities		138,986	44,471
Capital and reserves			
Share capital	*30*	10	–
Reserves	*30*	138,976	44,471
Total equity		138,986	44,471

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment in a subsidiary	*18*	–	–
Current assets			
Amount due from a subsidiary	*18*	10	–
Prepayments	*20*	278	–
		288	–
Less: Current liabilities			
Accruals	*24*	400	–
Amounts due to subsidiaries	*26*	428	–
		828	–
Net current liabilities		(540)	–
Total assets less current liabilities		(540)	–
Capital and reserves			
Share capital	*30*	10	–
Accumulated losses	*30*	(550)	–
Total equity		(540)	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Share capital	Contribution surplus	Exchange reserve	Other reserve	Statutory reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 30(a)	*Note 30(e)*	*Note 30(c)*	*Note 30(d)*	*Note 30(b)*		
At 1 April 2010	10	–	8,711	–	1,211	8,357	18,289
Profit for the year	–	–	–	–	–	22,046	22,046
Other comprehensive income for the year, net of tax:							
Exchange differences on translation of foreign operations	–	–	4,136	–	–	–	4,136
Total comprehensive income for the year	–	–	4,136	–	–	22,046	26,182
Effect of Group Reorganisation	(10)	–	–	10	–	–	–
Current year appropriation	–	–	–	–	2,500	(2,500)	–
At 31 March 2011 and 1 April 2011	–	–	12,847	10	3,711	27,903	44,471
Profit for the year	–	–	–	–	–	20,243	20,243
Other comprehensive income for the year, net of tax:							
Exchange differences on translation of foreign operations	–	–	4,282	–	–	–	4,282
Total comprehensive income for the year	–	–	4,282	–	–	20,243	24,525
Effect of Group Reorganisation	10	79,990	–	(10)	–	–	79,990
Dividend recognised as distribution	–	–	–	–	–	(10,000)	(10,000)
Current year appropriation	–	–	–	–	2,449	(2,449)	–
At 31 March 2012	**10**	**79,990**	**17,129**	**–**	**6,160**	**35,697**	**138,986**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	24,579	25,400
Adjustments for:		
Amortisation of prepaid lease payments for land use rights	55	53
Depreciation of property, plant and equipment	5,548	5,200
Interest income	(564)	(565)
Finance costs	4,567	3,550
Operating cash flow before working capital changes	34,185	33,638
Increase in trade and bills receivables	(28,153)	(5,899)
Increase in inventories	(13,101)	(9,146)
Decrease/(increase) in prepayments, deposits and other receivables	1,122	(1,342)
(Decrease)/increase in trade payables	(1,559)	6,106
Increase/(decrease) in accruals and other payables	2,800	(5,725)
Decrease in receipt in advance	(9,254)	(5,512)
Increase in amount due to a director	1	–
Increase in amount due to a shareholder	6,294	4,171
Cash (used in)/generated from operations	(7,665)	16,291
PRC tax paid	(5,749)	(3,672)
Net cash (used in)/generated from operating activities	(13,414)	12,619

	2012	2011
	HK$'000	*HK$'000*
Cash flows from investing activities		
Interest received	564	565
Purchase of property, plant and equipment	(735)	(5,534)
Net cash used in investing activities	(171)	(4,969)
Cash flows from financing activities		
Dividend paid	(10,000)	–
Interest paid	(4,567)	(3,550)
Proceeds from new bank loans	61,380	59,270
Repayment of bank loans	(61,380)	(59,270)
Net cash used in financing activities	(14,567)	(3,550)
Net (decrease)/increase in cash and cash equivalents	(28,152)	4,100
Cash and cash equivalents at the beginning of the year	70,143	62,717
Effect of foreign currency exchange rate changes	2,767	3,326
Cash and cash equivalents at the end of the year	44,758	70,143
Analysis of balances of cash and cash equivalents		
Cash and bank balances	44,758	70,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. General information and reorganisation

Juda International Holdings Limited is a limited liability company incorporated in Cayman Islands on 9 August 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-111, Cayman Islands and its principal place of business in Hong Kong is located at Room 01C, 10th Floor, Kin Wing Commercial Building, 24-30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong.

The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Upon the completion of the Reorganisation on 15 February 2012, the Company became the holding company of the companies comprising the Group. The Reorganisation included the following principal steps:

(a) On 1 July 2010, Lian Wang Limited ("Lian Wang") was incorporated in the British Virgin Islands (the "BVI") with an authorised share capital of US$50,000 shares of US$1.00 each. On the date of its incorporation, 1 share and 9,999 shares were issued and allotted to Mr. Choi Lim Chi ("Mr. Choi") and Ms. Wong Sai ("Mrs. Choi"), the ultimate shareholders of the Company, respectively.

(b) On 9 August 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, one nil-paid subscriber share was transferred to Lian Wang.

(c) On 5 July 2010, Shengfa Limited ("Shengfa") was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 27 August 2010, 1 share was issued and allotted to the Company for cash at par.

(d) On 5 July 2010, Cheng Wang Limited ("Cheng Wang") was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 27 August 2010, 1 share was issued and allotted to Shengfa for cash at par.

(e) On 3 February 2012, Cheng Wang acquired (i) the entire issued share capital of Great Top Investment Limited ("Great Top") from Mr. Choi and Mrs. Choi; and (ii) all the outstanding indebtedness in the aggregate sum of HK$79,990,000 due or owing from Great Top to Mr. Choi and Mrs. Choi. In consideration for such acquisition:

(i) Cheng Wang had, at the direction of Mr. Choi and Mrs. Choi, procured the Company to:

(aa) allot and issue 999,999 new shares, credited as fully paid, to Lian Wang;

(bb) credit as fully paid at par 1 nil-paid share held by Lian Wang;

(ii) 1 ordinary share of US$1.00 each in Shengfa, credited as fully paid, was allotted and issued to the Company; and

(iii) 1 ordinary share of US$1.00 each in Cheng Wang, credited as fully paid, was allotted and issued to Shengfa.

The shares of the Company have been listed on the Stock Exchange since 2 April 2012.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these consolidated financial statements have been prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), assuming that the current structure of the Group had been in existence throughout the two years ended 31 March 2012 and 2011.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and sale of chemicals in the People's Republic of China (the "PRC").

In the opinion of the directors, the Company's ultimate holding company is Lian Wang.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The HKICPA has issued certain new and revised standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 April 2011. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The impact of the application of the above new HKFRSs is discussed below:

HKAS 24 (as revised in 2009) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard.

HKFRSs (Amendments) – Improvements to HKFRSs issued in 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments applicable to the Group are as follows:

(a) HKFRS 1 (Amendments) addresses the presentation and disclosure requirements for an entity which changes its accounting policies or its uses of the exemptions contained in this HKFRS. It also introduces the use of the revaluation basis as deemed cost and extends the use of the deemed cost exemption to entities with operations subject to rate regulation.

(b) HKFRS 3 (Amendments) clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date at fair value, unless another measurement basis is required by another HKFRS.

The amendment also adds explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(c) HKAS 1 (Amendments) clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

(d) HKAS 27 (Amendments) clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

(e) HKAS 34 (Amendments) requires the update of relevant information related to significant events and transactions in the most recent annual financial report. HKAS 34 now specifies events and transactions for which disclosures are required, and guidance has been added covering the application of the requirements for financial instruments.

Except for those as disclosed above, the directors anticipate that the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendments)	Government Loans[4]
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statement[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] *Effective for annual periods beginning on or after 1 July 2011*

[2] *Effective for annual periods beginning on or after 1 January 2012*

[3] *Effective for annual periods beginning on or after 1 July 2012*

[4] *Effective for annual periods beginning on or after 1 January 2013*

[5] *Effective for annual periods beginning on or after 1 January 2014*

[6] *Effective for annual periods beginning on or after 1 January 2015*

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2015, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when

a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non- controlling interests even if the results in the non-controlling interests having a deficit balance.

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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including

any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified 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 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting for common control combination

The financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statement of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries

A subsidiary in an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets 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 transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; 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 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 another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional

amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets (other than goodwill)

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives on a straight line basis. Intangible assets are tested for impairment either individually or at the cash-generating unit level when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of impairment loss is recognised as income immediately.

Impairments of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated statement of comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(a) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling prices is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest of asset that generates cash inflows independently (i.e. a cash-generating unit).

(b) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

Related party transactions

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Group or of a parent of the Group.

(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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Building	40 years
Plant and machinery	5-20 years
Furniture, fixtures and equipment	5 years
Motor vehicle	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Leases

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments that are measured at cost less any identified impairment losses at the end of the reporting period.

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 (including trade and other receivables and cash and cash equivalents) 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 when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where 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.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number

of delayed payments in the portfolio past the average credit period of 30-180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 the 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 other than financial liabilities classified as at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, amount due to a director and amount due to a shareholder) are subsequently measured at amortised cost 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Income tax

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) sale of chemicals are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Turnover excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts; and

(b) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF

Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the combined statements of comprehensive income in the period in which they are incurred.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

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 business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

4. Significant accounting judgments and estimates

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

The 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.

(a) Income taxes

The Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(c) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

5. Financial instruments and capital risk management

(a) Categories of financial instruments

	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
– trade and bills receivables	40,667	12,084
– financial assets included in prepayments, deposits and other receivables	465	497
– cash and cash equivalents	44,758	70,143
	85,890	82,724
Financial liabilities		
Measured at amortised cost		
– amount due to a director	–	7
– amount due to a shareholder	–	73,688
– trade payables	5,257	6,582
– financial liabilities included in accruals and other payables	1,815	3,514
– bank borrowings	61,380	59,270
	68,452	143,061

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables, bank borrowings, amount due to a shareholder and amount due to a director. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Credit risk

The carrying amounts of trade and bills receivables included in the combined statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 100% and 100% of total trade receivables was due from the Group's five largest customers as at 31 March 2012 and 2011 respectively.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

The Group

	Weighted average effective interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012						
Trade payables	–	5,257	–	5,257	–	5,257
Accruals and other payables	–	1,815	–	1,815	–	1,815
Bank borrowings	8.53	61,380	–	61,380	–	61,380
		68,452	–	68,452	–	68,452
2011						
Trade payables	–	6,582	–	6,582	–	6,582
Accruals and other payables	–	3,514	–	3,514	–	3,514
Bank borrowings	6.67	59,270	–	59,270	–	59,270
Amount due to a director	–	7	7	–	–	7
Amount due to a shareholder	–	73,688	73,688	–	–	73,688
		143,061	73,695	69,366	–	143,061

The Company

	Weighted average effective interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012						
Accruals	–	400	–	400	–	400
Amounts due to subsidiaries	–	428	428	–	–	428
		828	428	400	–	828

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis on interest rate risk

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 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 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2012 and 2011 would decrease/increase by approximately HK$307,000 and HK$296,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Commodity risk

Given that orthoxylene is a by-product of crude oil, the Group's profitability depends on the prices of crude oil. Prices of crude oil are affected by numerous factors such as exchange rates, inflation or deflation and global and regional supply and demand. The Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of crude oil. Therefore, fluctuations in the prices of crude oil, and hence, prices of orthoxylene, will have a direct effect on the Group's sales and profit. However, the management monitors the commodity risk exposure and will consider hedging significant commodity risk exposure should the need arise.

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quote 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

(c) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 2011.

The Group monitors capital using a gearing ratio, which is total debts divided by total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting period are as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Total debts[#]	61,380	132,965
Total assets	214,116	199,769
Gearing ratio	0.29	0.67

[#] *Total debts comprise amount due to a director, amount due to a shareholder and bank borrowings as detailed in Notes 27, 28 and 25 respectively.*

6. Operating segment

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance.

The Group currently operates in one business segment in the manufacture and sale of chemicals in the PRC. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

Turnover from major products

The Group's turnover from its major products is as follows:

	2012	2011
	HK$'000	*HK$'000*
Turnover:		
Sale of Phthalic Anhydride ("PA")	258,582	171,569
Sale of fumaric acid and other by-products of PA	35,843	25,904
Sale of raw materials	–	5,254
	294,425	202,727

Information about geographical areas

As all of the Group's turnover is derived from customers based in the PRC and all the Group's identifiable assets and liabilities are located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

The Group's customer base includes 3 and 2 customers with whom transactions have exceeded 10% of the Group's turnover during the years ended 31 March 2012 and 2011, sales from these customers are set out below:

	2012	2011
	HK$'000	*HK$'000*
Customer A	30,396	70,347
Customer B	40,391	82,185
Customer C	95,175	–

7. Turnover

The principal activities of the Group are the manufacture and the sale of chemicals in the PRC. The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Turnover:		
Sale of PA	258,582	171,569
Sale of fumaric acid and other by-products of PA	35,843	25,904
Sale of raw materials	–	5,254
	294,425	202,727

8. Other revenue

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Other revenue:		
Bank interest income	564	565
Sundry income	14	73
	578	638

9. Profit from operations

The Group's profit for the year from operations is arrived at after charging:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' remuneration *(Note 11)*):		
Wages and salaries	6,003	4,721
Provident fund contributions	33	30
Pension scheme contributions	538	417
Staff welfare expenses	135	244
	6,709	5,412
Other items:		
Depreciation of owned property, plant and equipment *(Note 16)*	5,548	5,200
Amortisation of prepaid lease payments for land use right *(Note 17)*	55	53
Auditors' remuneration	1,500	139
Listing expenses	3,305	1,160
Cost of inventories sold	255,383	166,145
Operating lease rentals in respect of land and building	615	174

For the years ended 31 March 2012 and 2011, the cost of catalysts recognised as cost of sales were approximately HK$1,135,000 and HK$746,000 respectively.

10. Finance costs

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within one year	4,567	3,550

11. Directors' and key management personnel emoluments

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, are as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	586	541
Provident fund contributions	24	24
Total	610	565

(b) Independent non-executive directors' emoluments

The fees paid to independent non-executive directors for the year are as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Mr. Yan Wai Kiu	–	–
Mr. Wong Kin Tak	–	–
Mr. Choi Kin Cheong	–	–
	–	–

During the years ended 31 March 2012 and 2011, no emoluments were paid by the Group to the independent non-executive directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which an independent non-executive director waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011.

(c) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2012				
Executive directors:				
Mr. Choi Lim Chi	–	396	24	420
Mr. Chen Fan	–	190	–	190
Mr. Lee Lit Mo Johnny	–	–	–	–
	–	586	24	610
2011				
Executive directors:				
Mr. Choi Lim Chi	–	396	24	420
Mr. Chen Fan	–	145	–	145
Mr. Lee Lit Mo Johnny	–	–	–	–
	–	541	24	565

During the years ended 31 March 2012 and 2011, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011.

(d) Five highest paid employees

The five highest paid employees of the Group during the years ended 31 March 2012 and 2011 are analysed as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Directors	610	565
Non-directors	427	352
	1,037	917

Details of the remuneration of the above non-director, highest paid employees during the years ended 31 March 2012 and 2011 are as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	399	312
Pension scheme contributions	28	40
	427	352

The pension scheme contributions represented the Group's statutory contributions to a defined contribution pension scheme organised by the PRC government and were determined based on certain percentage of the salaries of the employees.

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	The Group	
	2012	**2011**
Nil to HK$1,000,000	3	3

During the years ended 31 March 2012 and 2011, no emoluments were paid by the Group to the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011.

12. Taxation

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Current tax for the year – PRC enterprise income tax	4,336	3,354

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2011: Nil).

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, Nice World Chemical Industry (Xiamen) Co., Ltd. ("NWCI"), an indirect wholly-owned subsidiary of the Company, which was established as wholly foreign-owned enterprise in the PRC, was entitled to a full exemption from the state and local corporate income tax of the PRC for their first two profitable years of operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three years. NWCI is also entitled to a preferential corporate income tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011 respectively, in accordance with the relevant laws and regulations in the PRC as it was established in the special economic zone in the PRC.

The two-year tax exemption period for NWCI expired on 31 December 2008, and a three-year 50% tax relief commenced on 1 January 2009.

The tax concessions enjoyed by NWCI, including the preferential corporate income tax rate and 50% tax relief allowed, was expired on 31 December 2011.

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A reconciliation of the income tax expense applicable to profit before taxation using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

Year ended 31 March 2012

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	28,825		(4,246)		24,579	
Tax at the statutory tax rate	7,206	25.0	(701)	(16.5)	6,505	26.5
Tax effect of income not taxable for tax purpose	(463)	(1.6)	–	–	(463)	(1.9)
Tax effect of expenses not deductible for tax purpose	194	0.6	701	16.5	895	3.6
Lower tax rate for specific provinces or local authority	(200)	(0.6)	–	–	(200)	(0.8)
Tax exemption	(2,401)	(8.4)	–	–	(2,401)	(9.8)
Tax effect for the year	4,336	15.0	–	–	4,336	17.6

Year ended 31 March 2011

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	28,354		(2,954)		25,400	
Tax at the statutory tax rate	7,089	25.0	(487)	(16.5)	6,602	26.0
Tax effect of income not taxable for tax purpose	(215)	(0.8)	–	–	(215)	(0.8)
Tax effect of expenses not deductible for tax purpose	567	2.0	–	–	567	2.2
Lower tax rate for specific provinces or local authority	(684)	(2.4)	–	–	(684)	(2.7)
Tax exemption	(3,403)	(12.0)	–	–	(3,403)	(13.4)
Tax loss not recognised	–	–	487	16.5	487	1.9
Tax effect for the year	3,354	11.8	–	–	3,354	13.2

13. Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 31 March 2012 included a loss of approximately HK$550,000 (2011: Nil) which has been dealt with in the consolidated financial statements of the Company.

14. Dividend

Prior to the Reorganisation

	2012	2011
	HK$'000	*HK$'000*
Dividend paid by the following company:		
Great Top	10,000	–

The amounts represented the dividends paid by a subsidiary of the Company to its equity holders prior to the Reorganisation. Accordingly, the rate of dividend and the number of shares ranking for the above dividend have not been presented as such information is not meaningful.

After the Reorganisation

No dividend has been paid or declared by the Company after the Reorganisation.

The directors do not recommend the payments of any dividend after the Reorganisation and for the year ended 31 March 2012.

15. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the years ended 31 March 2012 and 2011, and on the assumptions that the 200,000,000 ordinary shares with par value of HK$0.01 each in issue as at the date of listing of the Company's shares on the Stock Exchange were outstanding throughout the years ended 31 March 2012 and 2011.

	2012	**2011**
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	20,243	22,046
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	200,000	200,000

Diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares in existence during the years ended 31 March 2012 and 2011.

16. Property, plant and equipment

The Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2010	29,997	80,265	731	854	111,847
Exchange alignment	1,216	3,256	30	34	4,536
Additions	2,497	3,005	32	–	5,534
At 31 March 2011 and 1 April 2011	33,710	86,526	793	888	121,917
Exchange alignment	1,200	3,081	28	32	4,341
Additions	–	719	16	–	735
At 31 March 2012	34,910	90,326	837	920	126,993
Accumulated depreciation					
At 1 April 2010	4,741	25,215	438	490	30,884
Exchange alignment	214	1,126	19	19	1,378
Charge for the year	848	4,262	59	31	5,200
At 31 March 2011 and 1 April 2011	5,803	30,603	516	540	37,462
Exchange alignment	217	1,141	19	20	1,397
Charge for the year	895	4,564	57	32	5,548
At 31 March 2012	6,915	36,308	592	592	44,407
Carrying amounts					
At 31 March 2012	27,995	54,018	245	328	82,586
At 31 March 2011	27,907	55,923	277	348	84,455

As at 31 March 2012, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$27,995,000, HK$47,591,000 and HK$31,000 have been pledged as security for bank borrowings (Note 25).

As at 31 March 2011, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$27,907,000, HK$52,461,000 and HK$171,000 have been pledged as security for bank borrowings (Note 25).

17. Prepaid lease payments

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
The Group's prepaid lease payments for land use rights comprise:		
Leasehold land in the PRC:		
– Medium-term lease	1,948	1,935
Analysed for reporting purpose as:		
– Current assets *(Note 20)*	56	54
– Non-current assets	1,892	1,881
	1,948	1,935

The Group's prepaid lease payments amounts represent the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has possessed the land use rights of the leasehold land during the lease term.

As at 31 March 2012, prepaid lease payments for land use rights of approximately HK$1,948,000 (2011: HK$1,935,000) have been pledged as security for bank borrowings (Note 25).

18. Interests in subsidiaries

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Less: Provision for impairment loss of investment cost	–	–
	–	–
Amount due from a subsidiary *(Note (a))*	10	–

Particulars of the Company's subsidiaries at 31 March 2012 are as follows:

Name of subsidiary	**Place of incorporation and kind of legal entity**	**Issued and paid-up capital**	**Percentage of equity attributable to the Company (Direct)**	**(Indirect)**	**Principal activities and place of operation**
Shengfa	British Virgin Islands, limited liability company	US$1	100%	–	Investment holding, Hong Kong
Cheng Wang	British Virgin Islands, limited liability company	US$1	–	100%	Investment holding, Hong Kong
Great Top	Hong Kong, limited liability company	HK$10,000	–	100%	Investment holding, Hong Kong
NWCI	The PRC, limited liability company	US$8,000,000	–	100%	Manufacture and sale of chemicals, the PRC

Note:

(a) The amount due from a subsidiary included in the Company's current assets is unsecured, interest-free and recoverable on demand.

19. Trade and bills receivables

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Trade receivables	38,420	12,084
Bills receivable	2,247	–
	40,667	12,084

The carrying amounts of trade receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days (2011: 30 days) to those long standing customers with good payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables of the Group at the end of the reporting period, net of provision for impairment is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 30 days	34,332	12,084
31 to 60 days	2,321	–
61 to 90 days	1,767	–
	38,420	12,084

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of trade receivables that are past due but not impaired

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Overdue by:		
1 to 30 days	2,321	–
31 to 60 days	1,767	–
	4,088	–

20. Prepayments, deposits and other receivables

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	8,995	8,692	278	–
Prepayments for cost of catalysts	956	2,032	–	–
Prepaid lease payments for land use rights – current portion	56	54	–	–
Other receivables	465	497	–	–
	10,472	11,275	278	–

As at 31 March 2012 and 2011, prepayments mainly comprise of prepaid listing expenses and prepayments for purchase of raw materials.

The Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and as a cost incurred during the production process and recognised as cost of sales throughout the estimated useful life. As at 31 March 2012, the carrying amount of catalysts was approximately HK$956,000 (2011: HK$2,032,000). For the year ended 31 March 2012, the cost of catalysts recognised as cost of sales was approximately HK$1,135,000 (2011: HK$746,000).

21. Inventories

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Raw materials	6,194	1,813
Work in progress	1,643	2,734
Finished goods	25,904	15,384
	33,741	19,931

22. Cash and cash equivalents

	The Group		The Company	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	44,758	70,143	–	–

At the end of the reporting period, the cash at bank and in hand of the Group denominated in RMB amounted to approximately HK$33,540,000 (2011: HK$70,062,000). Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and banks are deposits with creditworthy banks with no recent history of default. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. Trade payables

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade payables	5,257	6,582

An ageing analysis of trade payables of the Group as at the end of the reporting period as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 30 days	4,924	6,129
31–60 days	–	–
61–90 days	–	–
Over 90 days	333	453
	5,257	6,582

The trade payables are non-interest-bearing and are normally settled on or before the delivery and may allow to settle within 30 days.

24. Accruals and other payables

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	7,202	4,477	–	–
Accruals	432	191	400	–
	7,634	4,668	400	–

Other payables mainly comprised the VAT payable amounting to approximately HK$5,819,000 as of 31 March 2012 (2011: HK$1,154,000). The remaining other payables are non-interest bearing and are due to mature within one year.

25. Bank borrowings

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Bank borrowings – secured		
– wholly repayable within one year	61,380	59,270

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Bank borrowings – secured		
– within one year	61,380	59,270
Less: amount repayable within one year included in current liabilities	(61,380)	(59,270)
	–	–

The range of effective interest rate on bank borrowings for the year ended 31 March 2012 was 6.67%-8.53% per annum (2011: 5.58%-6.67%).

As at 31 March 2012, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,948,000, HK$27,995,000, HK$47,591,000 and HK$31,000 respectively.

As at 31 March 2011, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,935,000, HK$27,907,000, HK$52,461,000 and HK$171,000 respectively.

All bank borrowings are denominated in RMB.

26. Amounts due to subsidiaries

The amounts due to subsidiaries were unsecured, interest-free and repayable on demand.

27. Amount due to a director

The amount due to a director was unsecured, interest-free and repayable on demand. Such amount was fully capitalised pursuant to the Reorganisation completed on 15 February 2012.

28. Amount due to a shareholder

The amount due to a shareholder was unsecured, interest-free and repayable on demand. Such amount was fully capitalised pursuant to the Reorganisation completed on 15 February 2012.

29. Deferred tax

As at 31 March 2012, the Group did not have any unused estimated tax loss available for offset against future profits (2011: Nil).

30. Capital and reserves

(a) Share Capital

The Group

As at 1 April 2010, the share capital of the Group represents the issued share capital of Great Top prior to the establishment of the Company.

The Company

Ordinary shares

	Par value *HK$*	Number of shares	Share capital *HK$*
Authorised:			
At 9 August 2010 (date of incorporation) and 31 March 2011	0.01	38,000,000	380,000
Increase in authorised share capital	0.01	962,000,000	9,620,000
At 31 March 2012		1,000,000,000	10,000,000
Issued and fully paid:			
At 9 August 2010 (date of incorporation) and 31 March 2011	0.01	1	–
Issue of new shares and credit 1 nil-paid share as fully paid at par	0.01	999,999	10,000
At 31 March 2012		1,000,000	10,000

As at 31 March 2011, the share capital of the Group represents the issued share capital of the Company with authorised share capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. There was one nil-paid share held by Lian Wang as at 31 March 2011.

Pursuant to the written resolutions of the sole shareholder passed on 14 March 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 shares.

On 3 February 2012, the Company allotted and issued 999,999 new shares at HK$0.01 each, credited as fully paid, to Lian Wang, and the one nil paid share held by Lian Wang was credited as fully paid at HK$0.01 each. There were 1,000,000 shares of HK$0.01 each in the share capital of the Company held by Lian Wang as at 31 March 2012.

(b) Statutory reserve

In accordance with the Company Law of the PRC, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory reserve (the "SR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SR of the PRC subsidiary was approximately HK$6,160,000 and HK$3,711,000 as at 31 March 2012 and 2011 respectively.

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than HK$ which are dealt with in accordance with the accounting policies as set out in Note 3.

(d) Other reserve

During the year ended 31 March 2011, the amount of approximately HK$10,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in Note 1.

(e) Contribution surplus

During the year ended 31 March 2012, the amount due to a director and a shareholder in the sum of HK$79,990,000 were fully capitalised pursuant to the Reorganisation as detailed in Note 1.

(f) Accumulated losses

The Company

	Accumulated losses *HK$000*
At 9 August 2010 (date of incorporation) and 31 March 2011	–
Loss for the year	(550)
At 31 March 2012	(550)

31. Material related party transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Compensation of key management personnel of the Group, including directors' remuneration as detailed in Note 11 above.

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,193	855
Provident fund contributions	24	24
Pension scheme contributions	68	40
Total compensation paid to key management personnel	1,285	919

32. Contingent liabilities

The Group and the Company did not have any contingent liabilities as at 31 March 2012 and 2011.

33. Operating lease commitments

As lessee

As at 31 March 2012 and 2011, the Group had outstanding commitments payable under non-cancellable operating leases in respect of land and properties rented with lease terms of 20 years and 1 year respectively which fall due as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within one year	655	602
In the second to fifth years, inclusive	2,245	2,168
Over five years	7,717	7,994
	10,617	10,764

34. Capital commitments

As at 31 March 2012 and 2011, the Group and the Company did not have any significant capital commitments.

35. Pledge of assets

As at 31 March 2012, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK$1,948,000, HK$27,995,000, HK$47,591,000 and HK$31,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

As at 31 March 2011, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,935,000, HK$27,907,000, HK$52,461,000 and HK$171,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

36. Events after the reporting period

On 2 April 2012, the Company issued 50,000,000 new ordinary shares (the "Offer Shares") of HK$0.01 each for cash pursuant to the Company's initial public offering and placing at a price of HK$1.10 per share to the public for listing of those shares on the Stock Exchange. Net proceeds from such issue amounted to approximately HK$28,708,000.

On 2 April 2012, the Company issued 149,000,000 new ordinary shares of HK$0.01 each by capitalisation of HK$1,490,000 standing to the credit of the Company's share premium account as a result of the issue of the Offer Shares. The 149,000,000 shares paying up in full at par were allotted and issued to Lian Wang.

37. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 June 2012.

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 12 months ended 31 March 2014, 31 March 2013 and 31 March 2012, 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 twelve months ended 31 March 2014

Business review

The Group is principally engaged in the production of two chemical products, namely phthalic anhydride ("PA") and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins. All of the Group's turnover is derived from customers based in the People's Republic of China (the "PRC").

The Group's production facilities are located in Xiamen, Fujian Province, the PRC. The Group continues to operate under a simple business model with one major raw material, namely ortho-xylene ("OX") sourcing from independent suppliers in the PRC for its production process. OX is used in the production facilities of PA to produce PA and certain by-products including maleic anhydride, which can be used to produce fumaric acid.

To improve its sales of PA, the Group put more effort into expanding customer base during the year ended 31 March 2014. Accordingly, the Group's turnover derived from selling PA increased from approximately HK$229,503,000 for the year ended 31 March 2013 to approximately HK$302,759,000 for the year ended 31 March 2014, as a result of the increase in quantity of PA sold despite lower average selling price caused by the weaker market demand on PA. Sales of fumaric acid and other by-products of PA also rose from approximately HK$22,934,000 for the year ended 31 March 2013 to approximately HK$28,713,000 for the year ended 31 March 2014 due to the increase in average selling price and quantity sold for the tighter market supply of fumaric acid.

Financial review

Turnover of the Group grew from approximately HK$252,437,000 for the year ended 31 March 2013 to approximately HK$331,472,000 for the year ended 31 March 2014, mostly attributable to the increase in production and sales volume of PA, fumaric acid and other by-products of PA. Gross profit margin declined from 16.0% for the year ended 31 March 2013 to 9.2% for the year ended 31 March 2014, mainly due to increase in average purchase cost of OX purchased and decrease in average selling price of PA sold by the Group. Profit from operations decreased from approximately HK$21,967,000 for the year ended 31 March 2013 to approximately HK$12,063,000 for the year ended 31 March 2014 primarily due to the drop of gross profit. Finance costs decreased from approximately HK$4,462,000 for the year ended 31 March 2013 to approximately HK$3,785,000 for the year ended 31 March 2014 as a result of the lower balance of bank borrowings. Taxation, representing the PRC enterprise income tax, reduced from approximately HK$7,437,000 for the year ended 31 March 2013 to approximately HK$5,158,000 for the year ended 31 March 2014 in line with the decrease in the Group's profit generated from its operations in the PRC. For the above reasons, profit for the year decreased from approximately HK$10,068,000 for the year ended 31 March 2013 to approximately HK$3,120,000 for the year ended 31 March 2014.

Liquidity and financial resources

The Group mainly relies upon internally generated cash flows and bank borrowings to finance its operations and expansion.

As at 31 March 2014, the Group's cash and cash equivalents amounted to approximately HK$23,887,000 (2013: approximately HK$37,472,000), including approximately HK$22,448,000 and approximately HK$1,439,000 denominated in Renminbi ("RMB") and HK$ respectively. The decrease in cash and cash equivalents of the Group was primarily due to the pledge of bank deposit amounting to approximately HK$31,026,000 (2013: Nil) against its bank borrowings, net of the improvement of its cash flows from the lower level of trade and bills receivables and inventories. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 March 2014, the Group's interest-bearing bank borrowings were approximately HK$50,306,000 (2013: approximately HK$55,615,000), all of which were denominated in RMB, due within one year and secured by prepaid lease payments for land use rights and certain of the buildings, plant and machinery and furniture, fixtures and equipment and bank deposits. The range of effective interest rate on bank borrowings for the year ended 31 March 2014 was 6.30%-6.90% per annum (2013: 6.60%-8.53% per annum).

As at 31 March 2014, the Group's gearing ratio was approximately 19.5%, improved from approximately 21.9% as at 31 March 2013, based on the division of the bank borrowings, by total assets, the gearing ratio was at a reasonable level.

Contingent liabilities

As at 31 March 2014, the Group did not have any contingent liabilities (2013: Nil).

Capital commitments

As at 31 March 2014, the Group had capital commitment for the acquisition of property, plant and equipment totaling of approximately HK$17,456,000 (2013: approximately HK$12,829,000).

Remuneration policies

As at 31 March 2014, the Group had 95 employees (2013: 97 employees). The Group reviews remuneration and benefits of its employees regularly according to the relevant market practice and individual performance of the employees. The Group contributes social insurance in the PRC and mandatory provident fund scheme in Hong Kong for eligible employees, and also provides medical insurance, work-related personal injury insurance, maternity insurance and unemployment insurance in the PRC, in accordance with the relevant laws and regulations. Total staff costs (including directors' remuneration) incurred by the Group for the year ended 31 March 2014 were approximately HK$9,536,000 (2013: approximately HK$10,305,000).

Use of proceeds from initial public offering

The net proceeds received by the Group from the initial public offering, after deducting underwriting commissions and other estimated expenses payable for the offering, amounting to approximately HK$28,708,000 are to be used in the manner consistent with that mentioned in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 March 2012 (the "Prospectus"). As at 31 March 2014, approximately HK$23,266,000 had been used by the Group in prepayments on the acquisition of property, plant and equipment in connection with the expansion and upgrading of the Group's production capacity. The unused balance of the Proceeds was deposited at the Group's bank accounts. In the event that the Directors decide to use the Proceeds in a manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

For the twelve months ended 31 March 2013

Business review

Revenue from sales of phthalic anhydride ("PA"), fumaric acid and other by-products of PA decreased from HK$258.6 million and HK$35.8 million for the year ended 31 March 2012 to HK$229.5 million and HK$22.9 million for the year ended 31 March 2013 respectively. Revenue from sales of PA decreased since the Group slowed down its production and sales of PA in the second half of the year ended 31 March 2013, particularly from December 2012 to February 2013, in order to avoid the possible gross loss caused by the drastic rise in purchase cost of its major raw materials for production of PA, namely ortho-xylene "OX", while the market price of PA could not catch up the increased price of OX. Sales of fumaric acid, as the major by-products at the production of PA, and other by-products also declined accordingly.

Financial review

Turnover of the Group dropped from HK$294.4 million for the year ended 31 March 2012 to HK$252.4 million for the year ended 31 March 2013, mainly attributable to the decrease in production and sales volume of PA, fumaric acid and other by-products of PA. Gross profit margin grew from 13.1% for the year ended 31 March 2012 to 16.0% for the year ended 31 March 2013 as the Group had been selling its products prior to the drastic rise in purchase cost of OX during the year ended 31 March 2013 at margin higher than the average for the year ended 31 March 2012. Profit for the year decreased from HK$20.2 million for the year ended 31 March 2012 to HK$10.1 million for the year ended 31 March 2013 due to the increases in administrative expenses and taxation. Administrative expenses rose from HK$9.3 million for the year ended 31 March 2012 to HK$18.3 million for the year ended 31 March 2013 while the amount of listing expenses included as part of administrative expenses increased from HK$3.3 million for the year ended 31 March 2012 to HK$4.9 million for the year ended 31 March 2013 and other administrative expenses, comprising mainly staff costs, also increased upon listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 April 2012. Taxation, representing the enterprise income tax in the PRC, increased from HK$4.3 million for the year ended 31 March 2012 to HK$7.4 million for the year ended 31 March 2013 due to the increase in the Group's effective enterprise income tax rate when the enterprise income tax rate applied to Nice World Chemical Industry (Xiamen) Co., Ltd., an indirect wholly-owned subsidiary of the Company in the PRC and the only operating vehicle of the Group, was 12% during the period from 1 April 2011 to 31 December 2011 under 50% tax relief, and then increased to 25% since 1 January 2012 when it ceased to enjoy 50% tax relief in accordance with the relevant laws and regulations and applicable to all domestic-invested and foreign-invested enterprises in the PRC.

Liquidity and financial resources

The Group mainly relies upon internally generated cash flows and bank borrowings to finance its operations and expansion. As at 31 March 2013, the Group's cash and cash equivalents amounted to HK$37.5 million, including HK$26.2 million and HK$11.3 million denominated in Renminbi ("RMB") and HK$ respectively and representing a decrease of HK$7.3 million as compared to HK$44.8 million as at 31 March 2012. The decrease in cash and cash equivalents was primarily due to the repayment of a portion of bank borrowings during the year ended 31 March 2013. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 March 2013, the Group's interest-bearing bank borrowings were HK$55.6 million (2012: HK$61.4 million), all of which were denominated in RMB, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment and due within one year. The range of effective interest rate on bank borrowings for the year ended 31 March 2013 was 6.60%-8.53% per annum (2012: 6.67%-8.53 per annum).

As at 31 March 2013, the Group's gearing ratio was 0.22, improved from 0.29 as at 31 March 2012. This was based on the division of the total debts, comprising bank borrowings, by total assets. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 March 2013 was reasonable.

Contingent liabilities

As at 31 March 2013, the Group did not have any contingent liabilities (2012: Nil).

Capital commitments

As at 31 March 2013, the Group had capital commitment for the acquisition of property, plant and equipment totaling HK$12.8 million (2012: Nil).

Capital structure

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There was no change in the Group' s capital management policies and objectives during the year ended 31 March 2013.

The Group regards total equity as capital. The Group's capital as at 31 March 2013 amounted to HK$188.4 million (2012: HK$139.0 million).

Interest rate risk exposure

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. A sensitivity analysis on interest rate risk is set out in Note 5(b) to the Consolidated Financial Statements on page 54 of this Annual Report.

Foreign exchange risk exposure

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Remuneration policies

As at 31 March 2013, the Group had 97 employees (2012: 109 employees). The Group reviews remuneration and benefits of its employees regularly according to the relevant market practice and individual performance of the employees. The Group contributes the social insurance in the PRC and the mandatory provident fund scheme in Hong Kong for eligible employees, and also provides medical insurance, work-related personal injury insurance, maternity insurance and unemployment insurance in the PRC, in accordance with the relevant laws and regulations. Total staff costs (including directors' remuneration) incurred by the Group for the year ended 31 March 2013 were HK$10.3 million (2012: HK$6.7 million).

Use of proceeds from initial public offering

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 2 April 2012. The net proceeds received from the initial public offering (the "Proceeds"), after deducting underwriting commissions and other estimated expenses payable for the offering, were approximately HK$28.7 million (i.e net price per share of approximately HK$0.574 from initial public offering) and have been used in the manner consistent with that mentioned in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 March 2012 (the "Prospectus"). As at 31 March 2013, HK$18.6 million, out of the Proceeds, was used in prepayments on the acquisition of property, plant and equipment in connection with the expansion and upgrading of the Group's production capacity. The unused balance of the Proceeds was deposited at the Group's bank accounts. In the event that the Directors decide to use the Proceeds in a

manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

For the twelve months ended 31 March 2012

Business review

The Group is principally engaged in the production of two chemical products, namely phthalic anhydride ("PA") and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins. All of the Group's turnover is derived from customers based in the PRC.

The Group's production facilities are located in Xiamen, Fujian Province, the People's Republic of China ("the PRC"). The Group operates under a simple business model with one major raw material, namely ortho-xylene ("OX") sourcing from independent suppliers in the PRC for its production process. OX is used in the production facilities of PA to produce PA and certain by-products including maleic anhydride, which can be used to produce fumaric acid.

Revenue from sales of PA and fumaric acid increased from HK$171.6 million and HK$25.9 million for the year ended 31 March 2011 to HK$258.6 million and HK$35.8 million for the year ended 31 March 2012, respectively. The increase in average selling prices of PA and fumaric acid of the Group during the year ended 31 March 2012 contributed to the growth of revenue from both products.

Financial review

Turnover of the Group rose 45.2% from HK$202.7 million for the year ended 31 March 2011 to HK$294.4 million for the year ended 31 March 2012, as a result of the increase in average selling prices of PA and fumaric acid. As PA and fumaric acid are derived from OX, selling prices of PA and furmaric acid have a high correlation with the market price of OX. Selling prices of PA and fumaric acid increased as result of the increase in market price of OX during the year ended 31 March 2012.

Gross profit margin declined from 17.9% for the year ended 31 March 2011 to 13.1% for the year ended 31 March 2012 as the purchase cost of raw materials increased faster than the selling prices of the Group's products during the year ended 31 March 2012.

Profit for the year decreased 8.2% from HK$22.0 million for the year ended 31 March 2011 to HK$20.2 million for the year ended 31 March 2012 due to the increases in administrative expenses, finance costs and taxation despite a higher gross profit. Administrative expenses rose from HK$7.6 million for the year ended 31 March 2011 to HK$9.3 million for the year ended 31 March 2012 while the amount of listing expenses

included in administrative expenses increased from HK$1.2 million for the year ended 31 March 2011 to HK$3.3 million for the year ended 31 March 2012. Finance costs increased from HK$3.6 million for the year ended 31 March 2011 to HK$4.6 million for the year ended 31 March 2012, mainly due to the increase in average interest rate on bank borrowings. Taxation, representing the enterprise income tax in the PRC, increased from HK$3.4 million for the year ended 31 March 2011 to HK$4.3 million for the year ended 31 March 2012 due to the increase in the Group's effective enterprise income tax rate when the enterprise income tax rate applied to NWCI, an indirect wholly-owned subsidiary of the Company in the PRC and the only operating vehicle of the Group, is 11% and 12% during 2010 and 2011 respectively after 50% tax relief, and has increased to 25% subsequent to 1 January 2012 in accordance with the relevant laws and regulations and applicable to all domestic-invested and foreign-invested enterprises.

As at 31 March 2012, the Group did not have any significant capital commitments or contingent liabilities.

Liquidity and financial resources

The Group mainly relies upon internally generated cash flows and bank borrowings to finance its operations and expansion.

As at 31 March 2012, the Group's cash and cash equivalents amounted to HK$44.8 million, including HK$33.6 million and HK$11.2 million denominated in Renminbi ("RMB") and HK$ respectively and representing a decrease of HK$25.3 million as compared to HK$70.1 million at 31 March 2011. The decrease in cash and cash equivalents was primarily due to the cash flow from the increase in trade and bill receivables by HK$28.1 million during the year ended 31 March 2012 as the number of customers allowed to settle the trade balance within 30 days, which are the Group's long standing customers, was increased. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 March 2012, the Group's interest-bearing bank borrowings were HK$61.4 million (2011: HK$59.3 million), all of which were denominated in RMB, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment and due within one year. The range of effective interest rate on bank borrowings for the year ended 31 March 2012 was 6.67% – 8.53% per annum (2011: 5.58% – 6.67% per annum).

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in RMB and the exchange rates between RMB and HK$/US dollar were relatively stable during the year ended 31 March 2012, it had no significant exposure to foreign exchange rate fluctuations. During the year ended 31 March 2012, the Group had not used any financial instruments for hedging purposes.

As at 31 March 2012, the Group's gearing ratio was 0.29, improved from 0.67 as at 31 March 2011. This was based on the division of the total debts (including bank borrowings, amount due to a director and amount due to a shareholder) by total assets. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 March 2012 was reasonable.

Interest rate risk exposure

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. A sensitivity analysis on interest rate risk is set out in Note 5(b) to the Consolidated Financial Statements on page 53 of this Annual Report.

Foreign exchange risk exposure

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Capital structure

The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Reorganisation are set out in Note 1 to the Consolidated Financial Statements on page 30 of this Annual Report.

As part of the Reorganisation, on 3 February 2012, the Company allotted and issued 999,999 new shares at HK$0.01 each, credited as fully paid, to Lian Wang Limited ("Lian Wang"), and the one nil paid share held by Lian Wang was credited as fully paid at HK$0.01 each. There were 1,000,000 shares of HK$0.01 each in the share capital of the Company held by Lian Wang as at 31 March 2012.

Pursuant to the written resolutions of the sole shareholder passed on 14 March 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by creation of an additional 962,000,000 shares.

Save as disclosed above, there is no material change in capital structure of the Company during the year.

Remuneration policies

As at 31 March 2012, the Group had 109 employees (2011: 104 employees). The Group reviews remuneration and benefits of its employees regularly according to the relevant market practice and individual performance of the employees. The Group contributes the social insurance in the PRC and the mandatory provident fund scheme in Hong Kong for eligible employees, and also provides medical insurance, work-related personal injury insurance, maternity insurance and unemployment insurance in the PRC, in accordance with the relevant laws and regulations. Total staff costs (including directors' remuneration) incurred by the Group in the year ended 31 March 2012 were HK$6.7 million (2011: HK$5.4 million).

The Company also has a share option scheme adopted on 14 March 2012 to grant options as incentives or rewards for the employees' contribution to the Group. Details of the share option scheme are set out in the Report of the Directors.

Use of proceeds from initial public offering

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 2 April 2012 (the "Listing Date"). The net proceeds received from the initial public offering, after deducting underwriting commissions and other estimated expenses payable for the offering, were approximately HK$28.7 million. Such net proceeds were deposited at the Group's bank accounts and will be used in the manner consistent with that mentioned in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 March 2012 (the "Prospectus"). In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Certain Financial Information of the Group as at 31 July 2014

Set out below is a summary of the Group's certain financial information as at 31 July 2014.

Liquidity and financial resources

As at 31 July 2014, the Group had cash and cash equivalents of approximately HK$44.9 million. The Group's operations were generally financed through a combination of Shareholder's equity, internally generated cash flows and bank borrowings in the past. After Completion, the Enlarged Group will continue to rely on cash generated from operations and commercial bank loans and may consider external equity or debt financing where required.

Indebtedness and contingent liabilities

As at 31 July 2014, the Group had bank borrowings of approximately HK$58.3 million secured with, among others, pledged bank deposits and land and building. The bank borrowings are denominated in RMB and HK$, and generally carry floating interest rates with reference to Hong Kong Interbank Offered Rate, London Interbank Offered Rate and other relevant interest rates as designated by the lending banks and are repayable within one year. The Group had no contingent liabilities as at 31 July 2014. There are no material covenants in the Group's bank borrowing agreements that impose a substantial limitation on the Group's ability to obtain further financing. The Directors confirm that there were no material defaults in payment of trade and non-trade payables and bank borrowings and/or breaches of finance covenants during the Track Record Period.

The Directors confirm that, as of 31 July 2014, being the latest practicable date for the purpose of this indebtedness statement, save as aforesaid or otherwise disclosed in this section, the Group did not have any bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities or authorized debentures. The Directors also confirm that there have been no material changes in the indebtedness or contingent liabilities of the Group since 31 July 2014.

Material Adverse Changes

[The Directors confirm that there has been no material adverse change in the Group's financial or trading position since 31 March 2014 (being the date to which the last audited financial statements of the Group were prepared) and up to the date of this circular, save for the financial information set out under the paragraph "Certain Financial Information of the Group as at 31 July 2014" in this appendix.]

The information set out in this Appendix does not form part of the Accountants' Reports on the Target Group from Ernst & Young, the Company's reporting accountants, 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 "Financial Information of the Target Group" and the Accountants' Reports set out in "Appendix III – Accountants' Report on the Target Group".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of (i) Juda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and (ii) Xi'an Capital Xin Kai Real Estate Ltd. (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") (together with the Group hereinafter referred to as the "Enlarged Group") has been prepared by the directors of the Company (the "Directors") to illustrate the effect of the proposed acquisition of the 100% equity interests in the Target Company by the Group.

On 8 November 2013, Get Thrive Limited (a wholly-owned subsidiary of Beijing Capital Land Limited ("BCL")) and BCG Chinastar International Investment Limited ("BCG"), a subsidiary of Beijing Capital Group Co., Ltd, entered into an agreement with Lian Wang Limited to acquire 56.1% and 9.9% of the issued share capital of the Company, respectively. This acquisition was completed on 12 November 2013. Immediately after the completion, Get Thrive Limited made a mandatory general offer for all shares (other than the shares held by its concert parties) in issue at the time. As at 31 December 2013, BCL indirectly held 65.1% of the entire issued shares of the Company.

On 15 August 2014, Asia Expert Limited ("Asia Expert", an indirectly wholly-owned subsidiary of BCL as purchaser) and Reco Ziyang Pte Ltd. ("Reco Ziyang", a connected person of BCL and owned by Recosia China Pte Limited as seller) entered into a conditional equity transfer agreement for the transfer of 60% equity interest in the Target Company (the "BCL Acquisition"). The Target Company is a company established in the People's Republic of China (the "PRC") which holds a real estate development project in Xi'an city, which is named the Xi'an First City.

On the same day, Far Reaching Company Limited, ("Far Reaching", an indirect wholly-owned subsidiary of the Company as purchaser) and Asian Expert (as seller) entered into a conditional equity transfer agreement for the transfer of 100% equity interest in the Target Company (the "Acquisition") subject to the completion of the BCL Acquisition. Upon completion, Far Reaching will become the sole owner of the Target Company and its subsidiary.

The consideration payable for the Acquisition is HK$1,963.4 million, to be settled in cash. For funding and settlement of the consideration, Get Thrive and the Company entered into a conditional subscription agreement on 15 August 2014, under which Get Thrive will subscribe for and the Company will issue 738,130,482 non-redeemable convertible preference shares (the "CPS") at an issue price of HK$2.66 per CPS.

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Acquisition involves acquisition of assets from BCL within 24 months of BCL gaining control of the Company and constitutes a reverse takeover of the Company by the Target Group. The financial year end of the Target Group is 31 December and the period prepared for 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 follows the financial year end of the Target Group, i.e. from 1 January 2013 to 31 December 2013. The consolidated statement of financial position of the Target Group set out in Appendix III to this circular is prepared as of 30 June 2014 and the preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is made at 30 June 2014, which follows the date of consolidated statement of financial position of the Target Group.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis set out in the notes below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 30 June 2014 for the preparation of the unaudited pro forma consolidated statement of financial position and the attributable to the equity holders of the Company. For the preparation of the 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 2013. The Directors 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 accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon the completion of the Acquisition. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the actual financial position of the Enlarged Group on the completion of the Acquisition and does not purport to describe the actual results of operations, financial position and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position, results of operations or cash flows of the Enlarged Group after completion of the Acquisition.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2014 are prepared based on the (i) the audited consolidated statement of financial position of the Group as at 31 March 2014 as extracted from the consolidated financial statements of the Group for the year ended 31 March 2014 as set out in Appendix IV to this circular and (ii) the audited consolidated statement of financial position of the Target Group as at 30 June 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 taken place on 30 June 2014.

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 2013 are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year from 1 April 2013 to 31 March 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 and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2013 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 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group was prepared in accordance with paragraph 29 of Chapter 4 and paragraph 69(4)(a)(ii) of Chapter 14 of the Listing Rules. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the accountants' reports of the Target Group as set out in Appendix III to the circular and the audited consolidated financial statements of the Group as set out in Appendix IV to the circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 March 2014	The Group as at 31 March 2014	The Target Group as at 30 June 2014	Pro forma adjustments		Pro forma Enlarged Group as at 30 June 2014
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*			
NON-CURRENT ASSETS						
Property, plant and equipment	73,790	57,612	270			[REDACTED]
Prepaid lease payments	1,824	1,424	–			[REDACTED]
Prepayments on acquisition of property, plant and equipment	23,266	18,167	–			[REDACTED]
Total non-current assets	98,880	77,203	270			[REDACTED]
CURRENT ASSETS						
Inventories	66,720	52,092	1,307,869	[REDACTED]	*4(a)*	[REDACTED]
Trade and bills receivables	9,263	7,232	16,585			[REDACTED]
Prepayments, deposits and other receivables	28,505	22,256	1,666,919			[REDACTED]
Prepaid taxes	–	–	19,570			[REDACTED]
Restricted cash	–	–	54,186			[REDACTED]
Pledged deposits	31,026	24,224	10,000			[REDACTED]
Cash and cash equivalents	23,887	18,650	206,368	[REDACTED]	*4(c)*	[REDACTED]
				[REDACTED]	*4(f)*	
				[REDACTED]	*6*	
Total current assets	159,401	124,454	3,281,497			[REDACTED]
CURRENT LIABILITIES						
Trade payables	239	187	291,256			[REDACTED]
Advances from customers	581	454	487,390			[REDACTED]
Other payables and accruals	7,503	5,858	35,517			[REDACTED]
Dividend payable	–	–	590,155			[REDACTED]
Interest-bearing bank borrowings	50,306	39,277	547,500			[REDACTED]
Taxes payable	4,924	3,844	31,158			[REDACTED]
Total current liabilities	63,553	49,620	1,982,976			[REDACTED]
NET CURRENT ASSETS	95,848	74,834	1,298,521			[REDACTED]
TOTAL ASSETS LESS CURRENT LIABILITIES	194,728	152,037	1,298,791			[REDACTED]

	The Group as at 31 March 2014	The Group as at 31 March 2014	The Target Group as at 30 June 2014	Pro forma adjustments		Pro forma Enlarged Group as at 30 June 2014
	HK$'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000 (Note 3)*	*RMB'000*	*Notes*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	194,728	152,037	1,298,791			[REDACTED]
NON-CURRENT LIABILITIES						
Interest-bearing bank borrowings	–	–	62,500			[REDACTED]
Deferred tax liabilities	–	–	–	[REDACTED]	*4(d)*	[REDACTED]
Total non-current liabilities	–	–	62,500			[REDACTED]
NET ASSETS	194,728	152,037	1,236,291			[REDACTED]
EQUITY						
Equity attributable to owners of the parent						
Issued capital	2,000	1,562	1,169,184	[REDACTED]	*4(e)*	[REDACTED]
Reserves	192,728	150,475	67,107	[REDACTED]	*4(b)*	[REDACTED]
				[REDACTED]	*4(e)*	
				[REDACTED]	*4(f)*	
				[REDACTED]	*6*	
	194,728	152,037	1,236,291			[REDACTED]
Non-controlling interests	–	–	–			[REDACTED]
Total equity	194,728	152,037	1,236,291			[REDACTED]

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2014 *HK$'000 (Note 1)*	The Group for the year ended 31 March 2014 *RMB'000 (Note 2)*	The Target Group for the year ended 31 December 2013 *RMB'000 (Note 3)*	Pro forma adjustments *RMB'000*	*Notes*	Pro forma Enlarged Group for the year ended 31 December 2013 *RMB'000*
REVENUE	331,472	258,800	1,211,440			1,470,240
Cost of sales	(300,852)	(234,894)	(844,832)	(170,422)	*5(b)*	(1,250,148)
Gross profit	30,620	23,906	366,608			220,092
Other income and gains	1,093	853	2,297	155,736	*5(a)*	158,886
Selling and distribution expenses	(927)	(724)	(26,460)			(27,184)
Administrative expenses	(18,723)	(14,618)	(5,256)			(19,874)
Other expenses	–	–	–	(29,849)	*4(f)*	(29,849)
Finance costs	(3,785)	(2,955)	–			(2,955)
PROFIT BEFORE TAX	8,278	6,462	337,189			299,116
Income tax expense	(5,158)	(4,027)	(102,711)	63,396	*5(b)*	(43,342)
PROFIT FOR THE YEAR	3,120	2,435	234,478			255,774
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations	3,192	2,492	–			2,492
Other comprehensive income to be reclassified to profit or loss in subsequent periods	3,192	2,492	–			2,492
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	3,192	2,492	–			2,492
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,312	4,927	234,478			258,266
Profit for the year attributable to:						
Owners of the parent	3,120	2,435	234,478			255,774
Non-controlling interests	–	–	–			–
	3,120	2,435	234,478			255,774
Total comprehensive income for the year attributable to:						
Owners of the parent	6,312	4,927	234,478			258,266
Non-controlling interests	–	–	–			–
	6,312	4,927	234,478			258,266

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2014	The Group for the year ended 31 March 2014	The Target Group for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 December 2013
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*(Notes)*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*			
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	8,278	6,462	337,189	155,736	*5(a)*	299,116
				(170,422)	*5(b)*	
				(29,849)	*4(f)*	
Adjustments for:						
Interest income	(417)	(326)	(1,275)			(1,601)
Depreciation	5,502	4,296	249			4,545
Amortisation of prepaid lease payments for land use rights	57	45	–			45
Finance costs	3,785	2,955	–			2,955
Other income and gains	–	–	–	(155,736)	*5(a)*	(155,736)
	17,205	13,432	336,163			149,324
Decrease in inventories	10,613	8,286	134,550	170,422	*5(b)*	313,258
(Increase)/decrease in trade and bills receivables	7,789	6,081	(19,990)			(13,909)
(Increase)/decrease in prepayments, deposits and other receivables	(2,124)	(1,658)	13,236			11,578
Increase in restricted cash	–	–	(116,654)			(116,654)
Increase/(decrease) in trade payables	(2,184)	(1,705)	133,929			132,224
Increase/(decrease) in advances from customers	274	214	(75,050)			(74,836)
Increase in other payables and accruals	4,031	3,147	96,324			99,471
Cash generated from operations	35,604	27,797	502,508			500,456
PRC corporate income tax paid	(4,446)	(3,471)	(24,817)			(28,288)
PRC land appreciation tax paid	–	–	(24,770)			(24,770)
Net cash flows from operating activities	31,158	24,326	452,921			447,398

	The Group for the year ended 31 March 2014	The Group for the year ended 31 March 2014	The Target Group for the year ended 31 December 2013	Pro forma adjustments		Pro forma Enlarged Group for the year ended 31 December 2013
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*(Notes)*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*			
Net cash flows from operating activities	31,158	24,326	452,921			447,398
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	(338)	(264)	(69)			(333)
Interest received	417	326	1,275			1,601
Increase in pledged deposits	–	–	(210,000)			(210,000)
Increase in prepayments on acquisition of property, plant and equipment	(4,301)	(3,358)	–			(3,358)
Acquisition of a subsidiary	–	–	–	(1,562,692)	*4(c)*	(1,562,692)
Advances to related parties	–	–	(1,476,000)			(1,476,000)
Repayments from related parties	–	–	1,045,350			1,045,350
Net cash flows used in investing activities	(4,222)	(3,296)	(639,444)			(2,205,432)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings	106,899	83,463	500,000			583,463
Repayment of bank borrowings	(113,188)	(88,373)	(200,000)			(288,373)
Issuance of CPS	–	–	–	1,562,692	*6*	1,562,692
Increase in pledged bank deposits	(31,026)	(24,224)	–			(24,224)
Interest paid	(3,785)	(2,955)	(19,579)			(22,534)
Net cash flows from/(used in) financing activities	(41,100)	(32,089)	280,421			1,811,024
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(14,164)	(11,059)	93,898			52,990
Cash and cash equivalents at beginning of year	37,472	29,257	40,814			70,071
Effect of foreign exchange rate changes	579	452	–			452
CASH AND CASH EQUIVALENTS AT END OF YEAR	23,887	18,650	134,712			123,513

Notes:

1. The figures are extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2014. For the purpose of the Unaudited Pro Forma Financial Information, the Directors assumed that the consolidated statement of financial position of the Group as at 31 March 2014 approximated to that as at 30 June 2014, the completion date for the purpose of preparing the unaudited pro forma consolidated statement of financial position.

2. The consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group is translated into RMB at the approximate exchange rate of HK$1 to RMB0.7808, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3. The figures are extracted from the accountants' report of the Target Group as set out in Appendix III to the circular.

4. Upon completion of the Acquisition, the Group will become the sole owner of the Target Company. Although the Group and the Target Company are ultimately controlled by the same party of BCL both before and after the Acquisition, the control is transitory before the Acquisition; as a result, it will be treated as business combination using purchase accounting according to the requirements under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations*. The aggregate consideration for the Acquisition shall be HK$1,963.4 million, which shall be satisfied by cash. For preparation of the pro forma consolidated statement of financial position, it is assumed that the Acquisition had completed on 30 June 2014.

   (a) Being fair value adjustment which represents the difference between the market value of the Target Group's inventories of approximately RMB[REDACTED] as at 30 June 2014, estimated with reference to the assets valuation report from an independent valuer, DTZ, and the carrying value of the inventories as at 30 June 2014 of RMB[REDACTED] as set out in note 16 of Appendix III to the circular, after an adjustment in respect of selling expense and a reasonable profit allowance of approximately RMB[REDACTED]. In the opinion of the Directors, for the purpose of the Unaudited Pro Forma Financial Information, the fair value adjustment of identified net assets of the Target Group was solely attributable to inventories, which mainly include properties under development and completed properties held for sale.

(b) Under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations,* the Group will apply the acquisition method to account for the Acquisition in the consolidated financial statements of the Group. The Gain on bargain purchase arising from the Acquisition is calculated as follows:

	RMB'000
Cash consideration *(note 4(c))*	1,562,692
Carrying amount of net assets of the Target Group as at 30 June 2014	1,236,291
Fair value adjustments on the inventories of the Target Group *(note 4(a))*	[REDACTED]
Deferred tax liabilities recognised in respect of the fair value adjustments *(note 4(d))*	[REDACTED]
Fair value of the net assets of the Target Group	[REDACTED]
Gain on bargain purchase arising from the Acquisition	[REDACTED]

The cash consideration payable is lower than fair value of the net assets of the Target Group acquired, the difference will, after reassessment, be recognised in income statement as a gain on bargain purchase.

(c) In accordance with the agreements, the total consideration for 100% equity interests in the Target Group is HK$[REDACTED] (RMB[REDACTED] in accordance with the agreement), which will be satisfied in cash.

(d) The adjustment amount of RMB[REDACTED] represents deferred tax effect of the fair value adjustments as set out in note 4(a) above.

(e) The adjustments include (i) the elimination of issued capital of the Target Company amounting to RMB[REDACTED], and (ii) the elimination of the pre-acquisition reserves of the Target Group amounting to RMB[REDACTED].

(f) The adjustment represents expenditures incurred directly in the Acquisition including financial advisor fees, legal fees, printing costs, accountants fees, and other related expenses of HK$[REDACTED] (approximately RMB[REDACTED]). The adjustment has no continuing effect to the Enlarged Group but will be reflected in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group in the year when these expenses actually incurred.

5. For the preparation of the 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 2013.

(a) Being adjustment for recognition of gain on bargain purchase arising from the Acquisition as if the Acquisition had completed on 1 January 2013, which is assumed to be approximate to RMB155,736,000 as calculated in note 4(b).

(b) The adjustment reflects the additional cost of property sales arising from the fair value adjustment on inventories of the Target Group as set out in note 4(a) and the corresponding deferred tax impact. Additional cost of property sales is calculated by multiplying the actual gross floor area ("GFA") recognized as revenue during the year ended 31 December 2013 by the average fair value adjustment per GFA estimated based on the valuation report of the Target Group's inventories.

6. For funding and settlement of the consideration, the Company will issue 738,130,482 CPS. The adjustments include an increase in CPS of HK$[REDACTED] (RMB[REDACTED] in accordance with the agreement), representing 738,130,482 CPS of the Company at issue price of HK$2.66 each.

7. Unaudited pro forma statement of adjusted net tangible assets of the Enlarged Group

	Audited net tangible assets of the Group as at 31 March 2014	**Audited net tangible assets of the Group per share as at 31 March 2014**	**Unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 30 June 2014**	**Unaudited pro forma adjusted net tangible assets of the Enlarged Group per share as at 30 June 2014**
	RMB'000	*RMB*	*RMB'000*	*RMB*
	Note a	*Note b*	*Note c*	*Note d*
Net tangible assets attributable to owners of the Company	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

a. The audited net tangible assets of the Group as at 31 March 2014 is based on the amount of audited net tangible assets attributable to the equity holders of the Company as at 31 March 2014, which is extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2014 and translated to RMB at the exchange rate of HK$1 to RMB0.7808, after deducting intangible assets of approximately RMB1,424,000.

b. The number of shares used for the calculation of the audited net tangible assets of the Group per share is 200,000,000, being the number of shares in issue as at 31 March 2014.

c. The unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 30 June 2014 is calculated based on the amount of the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 30 June 2014, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group, after deducting intangible assets of approximately RMB1,424,000.

d. Assuming the CPS issued to Get Thrive Limited have been fully converted and the number of shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Enlarged Group per share is 938,130,482, comprising 200,000,000 shares in issue as at 31 March 2014, and 738,130,482 new conversion shares assumed to be converted from CPS to be issued upon completion of the Acquisition as described in note 6 above, the unaudited pro forma adjusted net tangible assets of the Enlarged Group per share as at 30 June 2014 would be RMB[REDACTED] per share.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held in the PRC as at [30 June 2014].

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

[•] 2014

The Board of Directors
Juda International Holdings Limited
Suites 2906-08
AIA Central
1 Connaught Road Central
Hong Kong

Dear Sirs,

PORTFOLIO VALUATION

Instructions, Purpose & Valuation Date

In accordance with the instruction of Juda International Holdings Limited (the "Company") for us to carry out the valuation of the market value of the properties ("Properties") held by Xi'an Capital Xin Kai Real Estate Ltd. (西安首創新開置業有限公司) ("Target Company") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at [30 June 2014] (the "Valuation Date"). The Target Company and Xi'an Hangfu Commercial and Enterprise Management Company Limited (西安恒賦商業企業管理有限公司) together as (the "Target Group"). As at the Valuation Date, Xi'an Hengfu Commercial and Enterprise Management Company Limited (西安恒賦商業企業管理有限公司) did not hold or rent any property.

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors 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."

Valuation Basis and Assumption

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuations of the Properties situated in the PRC, we have prepared our valuations on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Company and the PRC legal opinion of the legal adviser, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, with reference to the PRC legal opinion, we have prepared our valuations on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

In respect of the Properties situated in the PRC, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Target Company are set out in the notes of the respective valuation certificate.

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

Method of Valuation

In valuing the Properties in Group I and III, which are held by the Target Company for sale and future development in the PRC respectively, we have adopted Direct Comparison Approach by making reference to comparable sale evidences as available on the market.

In valuing the Property in Group II, which are held by the Target Company under development in the PRC, we have valued it on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. We have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and we have also taken into account the pre-sold area and consideration, estimated total and expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Target Company and the opinion of the PRC legal adviser, JunZeJun Law Offices, as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, identification of Properties, completion dates of building, construction cost, particulars of occupancy, development scheme, pre-sold area and consideration, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Target Company which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Target Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. We have not been able to cause title search for the Properties in the PRC but we have made reference to the legal opinion and the copies of the title documents. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our DTZ Xi'an Office valuer, Cui Shuai, has inspected the exterior and, wherever possible, the interior of the Properties on 2 July 2014. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith the summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor (General Practice) who has over 21 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 30 June 2014	The Target Company's attributable interest	Market Value in existing state as at 30 June 2014 attributable to the Target Company
		RMB	*%*	*RMB*
Group I – Properties held by the Target Company for sale in the PRC				
1.	The unsold portion of Phases 2, 3 and 4 of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	182,310,000	100	182,310,000
2.	The unsold portion of Phase 6 of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	697,000,000	100	697,000,000
	Sub-total of Group I in RMB:	**879,310,000**		**879,310,000**
Group II – Property held by the Target Company under development in the PRC				
3.	The unsold portion of Phases 5 and 7 of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	1,220,000,000	100	1,220,000,000
	Sub-total of Group II in RMB:	**1,220,000,000**		**1,220,000,000**

	Property	Market Value in existing state as at 30 June 2014 *RMB*	The Target Company's attributable interest *%*	Market Value in existing state as at 30 June 2014 attributable to the Target Company *RMB*
Group III – Property held by the Target Company for future development in the PRC				
4.	Phase 5A of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	572,410,000	100	572,410,000
	Sub-total of Group III in RMB:	**572,410,000**		**572,410,000**
	Grand Total:	**2,671,720,000**		**2,671,720,000**

	Property	Market Value in existing state as at 30 June 2014 *RMB*
Group IV – Property rented by the Target Company in the PRC		
5.	A retail unit no. 1-1-0101 on level 1 to 2, Xi'an First City, No. 66, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	No commercial value

VALUATION CERTIFICATE

Group I – Properties held by the Target Company for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014
1.	The unsold portion of Phases 2, 3 and 4 of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	Phases 1, 2, 3 and 4 of Xi'an First City is a composite residential, retail and kindergarten development erected upon a parcel of land with a total site area of approximately 135,032.20 sq.m. which was completed in 2010, 2011, 2011 and 2013 respectively. According to the information provided by the Target Company, the Property comprises of the residential properties, kindergarten, retail space and car park space in phases 2, 3 and 4 pre-sold and unsold portion with a total gross floor area of approximately 32,808.86 sq.m.:	As at the valuation date, except the kindergarten, the Property was vacant. The kindergarten was subject to a tenancy for a term from 1 April 2012 to 31 March 2027 for a total rent of RMB8,525,000.	RMB182,310,000 (100% interest attributable to the Target Company: RMB182,310,000) (in which Phase 2: RMB1,050,000 Phase 3: RMB12,260,000 Phase 4: RMB169,000,000)

Portion	Gross Floor Area *(sq.m.)*
Phase 2	
Pre-sold – Residential	112.16
Unsold – Residential	62.78
sub-total:	**174.94**
Phase 3	
Pre-sold – Residential	1,398.18
– Carpark	82.25
Unsold – Residential	172.17
– Kindergarten	4,144.43
– Carpark	518.51
sub-total:	**6,315.54**

Property	Description and tenure		Particulars of occupancy	Market Value in existing state as at 30 June 2014
	Portion	**Gross Floor Area** *(sq.m.)*		
	Phase 4			
	Pre-sold – Residential	1,380.46		
	– Retail	1,402.55		
	– Carpark	163.45		
	Unsold – Residential	570.49		
	– Carpark	22,801.43		
	sub-total:	**26,318.38**		
	Grand Total:	**32,808.86**		
	The Property is located at south of Feng Cheng 12th Road in Xi'an Economic & Technological Development Zone of Xi'an, Shaanxi Province. Developments nearby are mainly residential buildings. According to the information provided by the Target Company, there are no environmental issues or legal disputes; there are no plans for any change in the use of the Property in near future.			
	The land use rights of the Property have been granted for terms due to expire on 13 November 2077 for residential use.			

Notes:

(1) According to Land Use Rights Certificate No. Xi Jing Guo Yong (2012 Chu) 038 dated 24 August 2012, the land use rights of Phases 1, 2, 3 and 4 of Xi'an First City, comprising of a site area of 135,032.20 sq.m., have been granted to the Target Company for a land use term due to expire on 13 November 2077 for residential use.

(2) According to Construction Works Planning Permit No. (2009)033 dated 13 August 2009 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 2 of Xi'an First City (Blocks 1-4, retail) with a total gross floor area of 113,322.00 sq.m. have been granted to the Target Company.

According to Construction Works Planning Permit No. (2010)019 dated 14 May 2010 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 3 of Xi'an First City (Blocks 17-22, retail, kindergarten and underground carpark) with a total gross floor area of 159,930.00 sq.m. have been granted to the Target Company.

According to Construction Works Planning Permit No. (2010)047 dated 17 December 2010 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 4 of Xi'an First City (Blocks 11-16, retail) with a total gross floor area of 142,068.00 sq.m. have been granted to the Target Company.

According to Construction Works Planning Permit No. Jian Zi Di Xi Jing Kai (2011)030 dated 29 September 2011 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 4 of Xi'an First City (Underground Carpark B) with a gross floor area of 33,453.00 sq.m. have been granted to the Target Company.

(3) According to Construction Works Commencement Permit No. Xi Jing Kai (2009)040 dated 3 September 2009 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Phase 2 of Xi'an First City (Blocks 1-4, retail) with a total gross floor area of 113,322.00 sq.m. were approved for construction. The commencement date was 1 August 2009.

According to Construction Works Commencement Permit No. Xi Jing Kai (2010)018 dated 8 June 2010 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Phase 3 of Xi'an First City (Blocks 17-22, retail) with a total gross floor area of 159,930.00 sq.m. were approved for construction. The commencement date was 1 May 2010.

According to Construction Works Commencement Permit No. Xi Jing Kai (2011)003 dated 17 February 2011 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Phase 4 of Xi'an First City (Blocks 11-16, retail) with a total gross floor area of 142,068.00 sq.m. were approved for construction. The commencement date was 31 January 2011.

According to Construction Works Commencement Permit No. Xi Jing Kai (2013)007 Bu dated 20 March 2013 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Phase 4 of (Xi'an First City (Underground Carpark B) with a gross floor area of 33,453.00 sq.m. were approved for Construction.

(4) According to Pre-sale Permit for Commodity Housing No. Shi Fang Yu Shou Zi 2009183 dated 25 September 2009 issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company was permitted to pre-sell Phase 2 of Xi'an First City (Blocks 1-4 and Block 9) with a total gross floor area of 113,091 sq.m..

According to Pre-sale Permit for Commodity Housing Nos. Shi Fang Yu Shou Zi 2010111 and Shi Fang Yu Shou Zi 2012244 dated 29 June 2010 and 26 November 2012 respectively, issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company was permitted to pre-sell Phase 3 of Xi'an First City (Blocks 17-22, underground carpark) with a total gross floor area of 158,873 sq.m..

According to Pre-sale Permit for Commodity Housing No. Shi Fang Yu Shou Zi 2011104 dated 17 June 2011 issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company was permitted to pre-sell Phase 3 of Xi'an First City (Block 24, retail podium) with a total gross floor area of 1,615 sq.m..

According to 3 Pre-sale Permits for Commodity Housing Nos. Shi Fang Yu Shou Zi 2011053, Shi Fang Yu Shou Zi 2011104 and Shi Fang Yu Shou Zi 2013342 dated 25 March 2011, 17 June 2011 and 29 November 2013 respectively issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company was permitted to pre-sell Phase 4 of Xi'an First City (Blocks 11-16, retail podium and underground carpark) with a total gross floor area of 175,837 sq.m..

(5) According to 5 Completion Filings dated 23 June 2011, Phase 2 of Xi'an First City (Blocks 1-4 and retail podium) had passed completion examination on 17 June 2011 and been recorded as completion. Phase 2 of Xi'an First City (Blocks 1-4, retail) belongs to the Target Company. The total gross floor area is 110,155.30 sq.m..

Completion Filing No.	**Block No.**	**Gross Floor Area** *(sq.m.)*
2011044	1 (residential and retail)	26,567.10
2011045	2 (residential)	24,990.90
2011046	3 (residential)	27,175.90
2011047	4 (residential)	29,600.70
2011048	9 (retail)	1,820.70
	Total	**110,155.30**

According to 9 Completion Filings dated 13 November 2011, Phase 3 of Xi'an First City (Blocks 17-22 retail podium, kindergarten and underground carpark) had passed completion examination on 11 November 2011 and been recorded as completion. Phase 3 of Xi'an First City (Blocks 17-22 retail podium, kindergarten and underground carpark) belongs to the Target Company. The total gross floor area is 159,930.45 sq.m..

Completion Filing No.	**Block No.**	**Gross Floor Area** *(sq.m.)*
2011099	17 (residential)	14,110.70
20110100	18 (residential)	28,156.92
20110101	19 (residential)	25,633.08
2011077	20 (residential)	12,924.18
20110102	21 (residential)	25,738.43
2011078	22 (residential)	33,210.09
20110103	23 (kindergarten)	4,500.00
20110104	24 (retail)	1,600.00
20110105	Carpark	14,057.05
	Total	**159,930.45**

According to 8 Completion Filings dated 30 May 2013, Xi'an First City (Blocks 11-16, retail podium and underground carpark) had passed completion examination on 29 May 2013 and been recorded as completion. Phase 4 of Xi'an First City (Blocks 11-16, retail podium and underground carpark) belong to the Target Company. The total gross floor area is 175,521.00 sq.m..

Completion Filing No.	**Block No.**	**Gross Floor Area** *(sq.m.)*
2013(061)	10 (retail podium)	1,512.00
2013(062)	11 (residential)	19,933.00
2013(063)	12 (residential)	25,913.00
2013(064)	13 (residential)	26,046.00
2013(065)	14 (residential)	28,395.00
2013(066)	15 (residential)	14,223.00
2013(067)	16 (residential)	26,046.00
2013(068)	Carpark	33,453.00
	Total	**175,521.00**

(6) According to the information provided by the Target Company, the details of unsold and pre-sold gross floor area, pre-sold consideration and construction costs paid are set out below:

Portion	**Unsold Gross Floor Area** *(sq.m.)*	**Pre-sold Gross Floor Area** *(sq.m.)*	**Pre-sold Consideration** *(RMB)*
Phase 2			
Residential	62.78	112.16	672,960
Phase 3			
Residential	172.17	1,398.18	7,729,349
Kindergarten	4,144.43	–	–
Car Park	518.51 (19 Car Parks)	82.25 (3 Car Parks)	447,000
Phase 4			
Residential	570.49	1,380.46	8,019,586
Retail	–	1,402.55	22,517,760
Car Park	22,801.43 (837 Car Parks)	163.45 (6 Car Parks)	830,000

In the course of our valuation, we have taken into account the pre-sold consideration.

(7) According to Building Ownership Certificate No. 1100118024-1-23-10000, the legal title of kindergarten with a total gross floor area of 4,144.43 sq.m. is vested in the Target Company.

(8) According to Business Licence No. 610100400001934, the Target Company was established as a limited liability company with a registered capital of US$165,000,000 for a valid operation period from 24 December 2007 to 23 December 2027.

(9) According to the PRC legal opinion:

(i) The Target Company, as a project development company, is in compliance with the PRC law and legally established, has obtained Real Estate Company Development Qualification Certificate and is entitled to develop and operate the Property;

(ii) Land Use Rights Grant Contract and its Supplemental Contract are legally valid and binding on the Target Company and Xi'an Economic & Technological Development Zone Land Bureau (西安經開區國土局);

(iii) The Target Company has fully settled all the land premium and tax and obtained Land Use Rights Certificate of the Property;

(iv) The Target Company has obtained all necessary permits, approvals and legal documents for the actual development progress as at the Latest Practicable Date. Such permits, approvals and legal documents had not been revoked, modified, repealed or withdrawn;

(v) The Target Company has obtained all necessary permits for all sold units and hence has the legal right to sell any of the units within the permitted zone;

(vi) The tenancy agreement of the Kindergarten has been duly registered. The tenancy agreement is legally binding on the Target Company and the lessee;

(vii) Apart from the tenancy of the Kindergarten, the Property is not subject to any ownership dispute, tenancy, pledge, assure, seal up or applied other legally coercive measure; and

(viii) The Target Company has entitled to own, use, transfer or other lawful disposal of building ownership and corresponding land use rights under Land Use Rights Certificate and Building Ownership Certificate within the Land Use Rights term period; except the Kindergarten in Phase 3. The lessee should be informed prior to the transfer of the ownership and corresponding land use rights.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Company and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-sale Permit for Commodity Housing	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

(11) In valuing the Property, we have assumed about RMB6,000 per sq.m. for the residential portion; RMB16,900 per sq.m. for the average price for level 1 – level 2 of the retail portion and RMB160,000 per unit for the car park portion.

The direct comparison approach is used by making reference to comparable sale evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected within the Subject Property as well as other relevant comparable sale evidences and analysed in terms of price per sq.m.. The prices of residential premises range from about RMB5,500 per sq.m. to RMB6,500 per sq.m.. The prices of the first floor of retail premises range from about RMB26,000 per sq.m. to RMB31,500 per sq.m.. The prices of car park premises range from about RMB160,000 per unit to RMB180,000 per unit. The collected sale evidences are then adjusted to take into account the discrepancies between the Property and the comparables, including without limited to time, location, size, floor difference and quality. The unit rates assumed by us are consistent with the relevant comparable after due adjustment.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014
2.	The unsold portion of Phase 6 of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	Phase 6 and portion of phase 7 of Xi'an First City comprises residential, retail and underground carpark development erected upon a piece of land with a total site area of approximately 114,172.93 sq.m., which Phase 6 was completed in June 2014 According to the information provided by the Target Company, Phase 6 of the Property comprises the pre-sold and unsold portion with a gross floor area of 110,568.25 sq.m.:	As at the valuation date, the Property was vacant.	RMB697,000,000 (100% interest attributable to the Target Company: RMB697,000,000)

Portion	**Gross Floor Area** *(sq.m.)*
Phase 6	
Pre-sold – High-rise Residential	10,050.11
– Low-rise Residential	13,306.19
– Retail	3,352.51
Unsold – High-rise Residential	3,030.93
– Low-rise Residential	18,393.27
– Retail	426.89
– Car Park	62,008.35
Grand Total:	**110,568.25**

The Property is located at south of Feng Cheng 12th Road in Xi'an Economic & Technological Development Zone of Xi'an, Shaanxi Province. Developments nearby are mainly residential buildings. According to the information provided by the Group, there are no environmental issues or legal disputes; there are no plans for any change in the use of the Property in near future.

The land use rights of the Property have been granted for a term due to expire on 13 November 2077 for residential use.

Notes:

(1) According to Land Use Rights Certificate No. Xi Jing Guo Yong (2012 Chu) 035 dated 24 August 2012, the land use rights of Phase 6 and portion of Phase 7 of Xi'an First City, comprising of a site area of 114,172.93 sq.m., have been granted to the Target Company for a land use term due to expire on 13 November 2077 for residential use.

(2) According to Construction Works Planning Permit No. Jian Zi Di (2012) 034 dated 31 October 2012 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 6 and Blocks 41-44 of Phase 7 of Xi'an First City with a total gross floor area of 312,636.00 sq.m. have been granted to the Target Company.

(3) According to 2 Construction Works Commencement Permits Nos. Xi Jing Kai 2012(048) and 2013 (008) dated 28 November 2012 and 16 April 2013 respectively issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Blocks 31-36, 40, 45 and retail of Phase 6 of Xi'an First City with a total gross floor area of 192,711.37 sq.m. were approved for construction with its commencement date was 10 March 2012 and Blocks 37-39 and carpark of Phase 6 of Xi'an First City with a total gross floor area of 96,245.25 sq.m. were approved for construction with its commencement date of 1 April 2013.

(4) According to 2 Pre-sale Permits for Commodity Housing Nos. 2012254 and 2013133 dated 14 December 2012 and 5 June 2013 respectively, issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company was permitted to pre-sale Blocks 31-40, 45 and retail of Phase 6 of Xi'an First City with a total gross floor area of 225,688.00 sq.m.. As at the valuation date, the Pre-sale Permit for Commodity Housing of carpark of Phase 6 of Xi'an First City has not been obtained.

(5) According to 12 Completion Filings dated 19 June 2014, Blocks 31-40, Block 45, retail and Car Parks of Phase 6 of Xi'an First City had passed completion examination on 31 May 2014 and been recorded as completion. Phase 6 of Xi'an First City belong to the Target Company. The total gross floor area is 288,955.25 sq.m..

Completion Filing No.	**Block No.**	**Gross Floor Area** *(sq.m.)*
2014(045)	31 (residential)	12,105.00
2014(046)	32 (residential)	11,415.00
2014(047)	33 (residential and retail)	35,914.00
2014(048)	34 (residential)	12,309.00
2014(049)	35 (residential)	12,408.00
2014(050)	36 (residential and retail)	34,961.00
2014(051)	37 (residential)	12,308.89
2014(052)	38 (residential)	8,472.48
2014(053)	39 (residential)	12,407.24
2014(054)	40 (residential and retail)	37,224.00
2014(055)	45 (residential and retail)	36,374.00
2014(056)	Carpark	63,056.64
	Total	**288,955.25**

(6) According to the information provided by the Target Company, the details of unsold and pre-sold gross floor area, pre-sold consideration and construction costs paid are set out below:

Portion	Unsold Gross Floor Area *(sq.m.)*	Pre-sold Gross Floor Area *(sq.m.)*	Pre-sold Consideration *(RMB)*
Phase 6			
High-rise residential	3,030.93	10,050.11	55,464,223
Low-rise residential	18,393.27	13,306.19	107,891,702
Retail	426.89	3,352.51	69,155,090
Car Park	62,008.35 (1,771 Car Parks)	–	–

In the course of our valuation, we have taken into account the pre-sold consideration.

(7) According to Business Licence No. 610100400001934, the Target Company was established as a limited liability company with a registered capital of US$165,000,000 for a valid operation period from 24 December 2007 to 23 December 2027.

(8) According to the PRC legal opinion:

(i) The Target Company, as a development company, is in compliance with the PRC law and legally established, has obtained Real Estate Company Development Qualification Certificate and is entitled to develop and operate the Property;

(ii) Land Use Rights Grant Contract and its Supplemental Contract are legally valid and binding on the Target Company and Xi'an Economic & Technological Development Zone Land Bureau (西安經開區國土局);

(iii) The Target Company has fully settled all the land premium and tax and obtained Land Use Rights Certificate of the Property;

(iv) The Target Company has obtained all necessary permits, approvals and legal documents for the actual development progress as at the Latest Practicable Date. Such permits, approvals and legal documents has not been revoked, modified, repealed or withdrawn;

(v) The Target Company has obtained all necessary permits for all sold units and hence has the legal right to sell any of the units within the permitted zone;

(vi) If the Target Company has applied for the legal registration in compliance of the legal procedure of the PRC law, there would not be any legal impediment to obtain the Real Estate Title Certificate for the Property;

(vii) The land use rights and its corresponding construction works of Phase 6 of the Property are pledged to lending bank with the land area of 73,579.08 sq.m. and its constructed gross floor area of 192,711.37 sq.m. but exclusive of non-apportioned area of 728.8 sq.m. and the corresponding land use rights, the ancillary area of 4,059.48 sq.m. and the corresponding land use rights, other civil defence area and non-apportioned area together with its land use rights. The said pledges have applied for the registration procedure; and

(viii) Apart from the pledge stated before and its sold units together with their corresponding land use rights, the Property is not subject to any other ownership dispute, tenancy, pledge, assure, seal up or applied violations of the relevant development and sale regulations.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-sale Permit for Commodity Housing	Yes
Business Licence	Yes

(10) In valuing the Property, we have assumed about RMB6,200 per sq.m. to RMB8,400 per sq.m. for the residential portion (including high-rise residential and low-rise residential); RMB17,000 per sq.m. for the average price for level 1 – level 2 of the retail portion and RMB160,000 per unit for the car park portion.

The direct comparison approach is used by making reference to comparable sale evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected within the Subject Property as well as other relevant comparable sale evidences and analysed in terms of price per sq.m.. The prices of residential premises range from about RMB5,500 per sq.m. to RMB8,900 per sq.m.. The prices of the first floor of retail premises range from RMB26,000 per sq.m. to RMB31,500 per sq.m.. The prices of car park premises range from RMB160,000 per unit to RMB180,000 per unit. The collected sale evidences are then adjusted to take into account the discrepancies between the property and the comparables, including without limited to time, location, size, floor differences and quality. The unit rates assumed by us are consistent with the relevant comparables after due adjustment.

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014
3.	The unsold portion of Phases 5 and 7 of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	Phase 5 of Xi'an First City comprises office, commercial apartment, retail and underground carpark retail development erected upon a parcel of land with a total site area of approximately 28,973.52 sq.m.. Phase 7 and Phase 6 of Xi'an First City comprises residential, retail and underground carpark development erected upon two piece of land with a total site area of approximately 121,086.42 sq.m.. According to the information provided by the Target Company, the unsold portion of Phases 5 and 7 of the Property comprises the pre-sold and unsold portion with a gross floor area of 129,515.88 sq.m. and 301,677.43 sq.m. respectively:	As at the valuation date, the unsold portion of Phases 5 and 7 of Xi'an First City were under construction and scheduled to be completed in December 2014 and August 2016 respectively.	RMB1,220,000,000 (100% interest attributable to the Target Company: RMB1,220,000,000) (in which Phase 5: RMB777,000,000 Phase 7: RMB443,000,000)

Portion		Gross Floor Area *(sq.m.)*
Phase 5		
Pre-sold	– Office	19,050.93
	– Commercial apartment	42,618.57
	– Retail	6,401.05
Unsold	– Office	11,258.36
	– Commercial apartment	3,289.35
	– Retail	10,633.62
	– Carpark	36,264.00
sub-total:		**129,515.88**

Property	Description and tenure		Particulars of occupancy	Market Value in existing state as at 30 June 2014
	Portion	**Gross Floor Area** *(sq.m.)*		
	Phase 7			
	Pre-sold – High-rise residential	28,647.55		
	– Low-rise residential	3,380.93		
	– Garden house	1,126.59		
	Unsold – Retail	1,492.00		
	– High-rise residential	93,624.45		
	– Low-rise residential	54,457.07		
	– Garden house	10,045.41		
	– Office	35,314.00		
	– Carpark	32,910.00		
	Ancillary – Civil defence area	40,679.43		
	sub-total:	**301,677.43**		
	Grand Total:	**431,193.31**		
	The Property is located at north of Feng Cheng 12th Road in Xi'an Economic & Technological Development Zone of Xi'an, Shaanxi Province. Developments nearby are mainly residential buildings. According to the information provided by the Target Company, there are no environmental issues or legal disputes; there are no plans for any change in the use of the Property in near future.			
	The land use rights of the Property have been granted for various terms, please see note (1).			

Notes:

(1) According to Land Use Rights Certificate No. Xi Jing Guo Yong (2012 Chu) 034 dated 24 August 2012, the land use rights of Phase 5 of Xi'an First City, comprising of a site area of 28,973.52 sq.m., have been granted to the Target Company for a land use term due to expire on 13 November 2057 for comprehensive use.

According to Land Use Rights Certificate No. Xi Jing Guo Yong (2012 Chu) 035 dated 24 August 2012, the land use rights of Phase 6 and portion of Phase 7 of Xi'an First City, comprising of a site area of 114,172.93 sq.m., have been granted to the Target Company for a land use term due to expire on 13 November 2077 for residential use.

According to Land Use Rights Certificate No. Xi Jing Guo Yong (2012 Chu) 036 dated 24 August 2012, the land use rights of Phase 7 of Xi'an First City, comprising of a site area of 6,913.49 sq.m., have been granted to the Target Company for a land use term due to expire on 13 November 2057 for comprehensive use.

(2) According to 2 Construction Works Planning Permits Nos. Jian Zi Xi Jing Kai (2011)029 and Jian Zi (2012) 023 dated 29 September 2011 and 13 October 2012 respectively issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 5 of Xi'an First City (Blocks 26-29, retail and underground carpark) with a total gross floor area of 175,123.00 sq.m. have been granted to the Target Company.

According to Construction Works Planning Permit No. Jian Zi Di (2012)034 dates 31 October 2012 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 6 and Blocks 41-44 of Phase 7 of Xi'an First City with a total gross floor area of 312,636.00 sq.m. have been granted to the Target Company.

According to Construction Works Planning Permit No. Jian Zi Xi Jing Kai (2013)014 dated 19 April 2013 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 7 of Xi'an First City (Blocks 46-56, retail and carpark) with a total gross floor area of 247,038.00 sq.m. have been granted to the Target Company.

According to Construction Works Planning Permit No. Jian Zi Xi Jing Kai (2013)015 dated 19 April 2013 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), the construction project planning rights for Phase 7 of Xi'an First City (Block 57) with a total gross floor area of 40,753.00 sq.m. have been granted to the Target Company.

(3) According to 2 Construction Works Commencement Permits Nos. Xi Jing Kai (2011)043 and Xi Jing Kai (2013)004 dated 31 December 2011 and 21 January 2013 respectively issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Blocks 27-29, retail and carpark of Phase 5 of Xi'an First City with a total gross floor area of 126,622.00 sq.m. were approved for construction with its commencement date was 9 December 2011 and the Block 26 and carpark of Phase 5 of Xi'an First City with a total gross floor area of 48,501.00 sq.m. were approved for construction with its commencement date of 15 December 2012.

According to 2 Construction Works Commencement Permits Nos. Xi Jing Kai (2013)029 and Xi Jing Kai (2013)037 dated 8 November 2013 and 27 November 2013 respectively issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Blocks 41-44, 46-50, retail and the carpark of Phase 7 of Xi'an First City with a total gross floor area of 137,837.00 sq.m. were approved for construction with its commencement date of 26 September 2013, and Blocks 51, 57 and retail of Phase 7 of Xi'an First City with a total gross floor area of 54,772.00 sq.m. were approved for construction with its commencement date of 15 November 2013.

According to Construction Works Commencement Permits No. Xi Jing Kai (2014)028 dated 8 May 2014 issued by 西安經濟技術開發區管理委員會規劃局 (Planning Bureau of Xi'an Economic & Technological Development Zone Administration Committee), Blocks 52-56 of Phase 7 of Xi'an First City with a total gross floor area of 118,861.00 sq.m. were approved for construction with its commencement date of 10 March 2014.

(4) According to 3 Pre-sale Permits for Commodity Housing Nos. Shi Fang Yu Shou Zi 2012026, Shi Fang Yu Shou Zi 2012240 and Shi Fang Yu Shou Zi 2013105 dated 15 March 2012, 15 November 2012 and 13 May 2013 issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company permitted to pre-sell Blocks 26-29 and retail of Phase 5 of Xi'an First City with a total gross floor area of 133,060.00 sq.m.. As at the valuation date, the Pre-sale Permit for carpark of Phase 5 of Xi'an First City has not been obtained.

According to 2 Pre-sale Permits for Commodity Housing Nos. Shi Fang Yu Shou Zi 2013334 and Shi Fang Yu Shou Zi 2013353 dated 28 November 2013 and 9 December 2013 respectively issued by 西安市房屋管理局 (Xi'an Building Management Bureau), the Target Company was permitted to pre-sell Blocks 41-44, 46-50 and retail of Phase 7 of Xi'an First City with a total gross floor area of 85,333.00 sq.m. as well as Block 57 and its retail of Phase 7 of Xi'an First City with a total gross floor area of 36,246.00 sq.m..

(5) According to 4 Completion Filings dated 4 December 2013, Blocks 27-29 and retail of Phase 5 of Xi'an First City had passed completion examination on 27 November 2013 and been recorded as completion. Phase 5 of Xi'an First City belongs to the Target Company. The total gross floor area is 100,728.00 sq.m..

Completion Filing No.	**Block No.**	**Gross Floor Area** *(sq.m.)*
2013089	27 (office and retail)	29,782.00
2013090	28 (office and retail)	29,922.00
2013091	29 (office and retail)	36,134.00
2013092	30 (retail)	4,890.00
	Total	**100,728.00**

(6) According to the information provided by the Target Company, the details of unsold and pre-sold gross floor area of Phase 5 are set out below:

Portion	**Type of property**	**Unsold Gross Floor Area** *(sq.m.)*	**Pre-sold Gross Floor Area** *(sq.m.)*
Completed	Commercial apartment	3,289.35	42,618.57
Completed	Retail	8,007.20	5,123.80
Under construction	Retail	2,626.42	1,277.25
Under construction	Office	11,258.36	19,050.93
Under construction	Car Park (1,108 Car Parks)	36,264.00	–
	Total	61,445.33	68,070.55

(7) According to the information provided by the Target Company, the details of unsold and pre-sold gross floor area, pre-sold consideration, construction costs to be paid and construction cost paid are set out below:

Portion	Unsold Gross Floor Area *(sq.m.)*	Pre-sold Gross Floor Area *(sq.m.)*	Pre-sold Consideration *(RMB)*	Construction cost to be paid *(RMB)*	Construction cost paid *(RMB)*
Phase 5				94,895,682	461,147,032
Office	11,258.36	19,050.93	127,332,121	N/A	N/A
Commercial apartment	3,289.35	42,618.57	235,678,987	N/A	N/A
Retail	10,633.62	6,401.05	128,090,258	N/A	N/A
Car Park	36,264.00 (1,108 Car Parks)	–	–	N/A	N/A
Phase 7				845,672,544	174,591,167
Retail	1,492.00	–	–	N/A	N/A
High-rise residential	93,624.45	28,647.55	171,943,661	N/A	N/A
Low-rise residential	54,457.07	3,380.93	29,091,038	N/A	N/A
Garden house	10,045.41	1,126.59	10,746,028	N/A	N/A
Office	35,314.00	–	–	N/A	N/A
Car Park	32,910.00 (864 Car Parks)	–	–	N/A	N/A
Civil Defence area (Ancillary)	40,679.43 (1,067 Car Parks)	–	N/A	N/A	N/A

In the course of our valuation, we have taken into account the pre-sold consideration and construction costs.

(8) The Estimated Market Value as if completed of the proposed development as at valuation date:

	Estimated Market Value as if completed as at 30 June 2014 *RMB*
Phase 5	949,000,000
Phase 7	1,761,000,000

(9) According to Business Licence No. 610100400001934, the Target Company was established as a limited liability company with a registered capital of US$165,000,000 for a valid operation period from 24 December 2007 to 23 December 2027.

(10) According to the PRC legal opinion:

(i) The Target Company, as a project development company, is in compliance with the PRC law and legally established, has obtained Real Estate Company Development Qualification Certificate and is entitled to develop and operate the Property;

(ii) Land Use Rights Grant Contract and its Supplemental Contract are legally valid and binding on the Target Company and Xi'an Economic & Technological Development Zone Land Bureau (西安經開區國土局);

(iii) The Target Company has fully settled all the land premium and tax and obtained Land Use Rights Certificate of the Property;

(iv) The Target Company has obtained all necessary permits, approvals and legal documents for the actual development progress as at the Latest Practicable Date. Such permits, approvals and legal documents had not been revoked, modified, repealed or withdrawn;

(v) The Target Company has obtained all necessary permits for all sold units and hence has the legal right to sell any of the units within the permitted zone;

(vi) Upon completion of the project and after the standard examine procedure with the construction authorities, also provided that if the Target Company have applied for the legal registration in compliance of the legal procedure of the PRC law, there would not be any legal impediment to obtain the Real Estate Title Certificate for the Property after the confirmation of registration;

(vii) The land use rights and its corresponding construction works of Phase 5 of the Property, including Block 26 – 29 and their underground Carpark with an approved gross floor area of 175,123 sq.m., are pledged to lending bank exclusive of non-apportioned area of 438.18 sq.m. and its corresponding land use rights, the sold portion of 799 residential units with the gross floor area of 51,977.57 sq.m. and its land use rights as well as non-apportioned civil defence area and its land use rights. The said pledges have applied for the registration procedure;

The land use rights and its corresponding construction works of Phase 7 of the Property, including Blocks 46-57 and their underground carpark with an approved gross floor area of 286,880 sq.m., are pledged to lending bank exclusive of civil defence area of 40,679.43 sq.m. and its corresponding land use rights, non-apportioned area of 2,563.63 sq.m. and its corresponding land use rights, the sold portion of 79 residential units with the gross floor area of 7,273.17 sq.m. and its land use rights, as well as other non-apportioned civil defence and share area and its land use rights. The said pledges have applied for the registration procedure;

(viii) Apart from the pledge stated before and its sold units together with their corresponding land use rights, the property is not subject to any other ownership dispute, tenancy, pledge, assure, seal up or applied other legally coercive measure;

(ix) No parking lots of Phases 5 to 7 have been sold without the corresponding Pre-sale Permits. There are no legal violations of the relevant development and pre-sale regulations; and

(x) The design scheme of civil defence area in Phase 7 has been approved by relevant departments.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Company and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-sale Permit for Commodity Housing	Yes (partly)
Business Licence	Yes

(12) In valuing the estimated market value as if completed of the Property, we have assumed about RMB7,100 per sq.m. for the office portion; RMB5,880 per sq.m. for the commercial apartment portion; RMB22,250 per sq.m. for the first floor of the retail portion; RMB6,200 per sq.m. to RMB9,300 per sq.m. for the residential portion (including high-rise residential, low-rise residential and garden house); and RMB160,000 per unit for the car park portion.

The direct comparison approach is used by making reference to comparable sale evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected within the Subject Property as well as other relevant comparable sale evidences and analysed in terms of price per sq.m.. The prices of office premises range from about RMB8,000 per sq.m. to RMB12,000 per sq.m.. The prices of the first floor of retail premises range from about RMB26,000 per sq.m. to RMB31,500 per sq.m.. The prices of residential premises range from about RMB5,500 per sq.m. to RMB9,500 per sq.m.. The prices of car park premises range from about RMB160,000 per unit to RMB180,000 per unit. The collected sale evidences are then adjusted to take into account the discrepancies between the Property and the comparables, including without limited to time, location, size, floor difference and quality. The unit rates assumed by us are consistent with the relevant comparable after due adjustment.

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014
4.	Phase 5A of Xi'an First City, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property comprises 2 parcels of land with a total site area of approximately 70,821.77 sq.m.. According to the information provided by the Target Company, the Property comprises a mix development of outlets, hotel, office and carpark with a planned total gross floor area of approximately 382,047 sq.m.. The Property is located at north of Feng Cheng 12th Road in Xi'an Economic & Technological Development Zone of Xi'an, Shaanxi Province. Developments nearby are mainly residential buildings. According to the information provided by the Target Company, there are no environmental issues or legal disputes; there are no plans for any change in the use of the Property in near future. The land use rights of the Property have been granted for terms due to expire on 13 November 2057 for comprehensive use.	As at the valuation date, the Property was vacant and pending for development.	RMB572,410,000 (100% interest attributable to the Target Company: RMB572,410,000)

Notes:

(1) According to 2 Land Use Rights Certificates No. Xi Jing Guo Yong (2012 Chu) 033 and No. Xi Jing Guo Yong (2012 Chu) 037 dated 24 August 2012, the land use rights of the Property, comprising of a total site area of 70,821.77 sq. m, have been granted to the Target Company for a land use term due to expire on 13 November 2057 for comprehensive use.

(2) According to the information provided by the Target Company, the estimated construction cost to be paid to complete the Property was approximately RMB1,735,000,000; the construction cost paid was approximately RMB20,000,000 as at valuation date. In the course of our valuation, we have taken into account the said costs.

(3) According to Business Licence No. 610100400001934, the Target Company was established as a limited liability company with a registered capital of US$165,000,000 for a valid operation period from 24 December 2007 to 23 December 2027.

(4) According to the PRC legal opinion:

(i) The Target Company, as a project development company, is in compliance with the PRC law and legally established, has obtained Real Estate Company Development Qualification Certificate and is entitled to develop and operate the Property;

(ii) Land Use Rights Grant Contract and its Supplemental Contract are legally valid and binding on the Target Company and Xi'an Economic & Technological Development Zone Land Bureau (西安經開區國土局);

(iii) The Target Company has fully settled all the land premium and tax and obtained Land Use Rights Certificate of the Property. The Target Company has the legal right to own, use, transfer or enforce in any other way legally with their land use rights;

(iv) The Property is being developed in different phases. The Target Company has not violated the terms and conditions of Land Use Rights Grant Contract and its Supplemental Contract, therefore there is no idle land issue or any risk of the land use rights being forfeited or the Target Company find; and

(v) The Property is not subject to any ownership dispute, tenancy, pledge, assure, seal up or applied other legally coercive measure.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Target Company and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Business Licence	Yes

(6) In valuing the Property, we have assumed a price of about RMB7,800 per sq.m. for the land price.

The direct comparison approach is used by making reference to comparable sale evidences as available on the market. In this regard, comparable sale evidences around the valuation date was collected and analysed in terms of price per sq.m.. The prices of land range from about RMB6,729 per sq.m. to RMB8,797 per sq.m.. The collected sale evidences are then adjusted to take into account the discrepancies between the Property and the comparables, including without limited to time, location, size and use. The unit rates assumed by us are consistent with the relevant comparable after due adjustment.

VALUATION CERTIFICATE

Group IV – Property rented by the Target Company in the PRC

	Property	Description and tenure	Market Value in existing state as at 30 June 2014
5.	A retail unit no. 1-1-0101 on level 1 to 2, Xi'an First City, No. 66, Feng Cheng 12th Road, Xi'an Economic & Technological Development Zone, Xi'an, Shaanxi Province, the PRC	The Property comprises a retail unit on level 1 to 2 of Xi'an First City with a total gross floor area of approximately 3,113.36 sq.m. which is used for office purpose. The Property is currently rented by the Target Company for a term of 3 years from 1 March 2012 to 28 February 2015 at an annual rent of RMB168,000. According to the PRC legal opinion, the lessor has not obtained Building Ownership Certificate of the Property as the lessor has not paid the deed tax. The PRC legal adviser, JunZeJun Law Offices, has advised that the tenancy agreement is legal, valid and binding, and the obligation to register the tenancy agreement lies with the lessor. Although the tenancy agreement has not been registered, it would not affect its validity under PRC laws.	No commercial value

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 August 2010 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 14 March 2012. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and 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 our 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 Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 our 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 our 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by our 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.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, 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 of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has 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 contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which our Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) 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 associates and employees of our 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 accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only 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 held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any 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 ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(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;

(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.

The board may from time to time 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 our 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think 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 an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our 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 thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), 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 ninety-five per cent. (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 of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder 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 purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office 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 accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall 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 our 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 ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that 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 and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed 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 transferee in any case in which it thinks fit, in its discretion, 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon 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 transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse 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 incentive scheme for employees 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 our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

Our 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 our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our 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.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 but 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 pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our 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 our 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls 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). A call may be made payable either in one lump 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 twenty per cent. (20%) per annum as the board may agree to accept 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 monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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 authorised 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our 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 our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, 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 our 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 our 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (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 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. 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 authorised share capital.

(b) Share capital

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 of the 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 arrangement 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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 business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes 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

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 shareholder and the Companies Law expressly provides that 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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 section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as 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 paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase

of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of 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.

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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 24 August 2010.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands have not entered into any double tax treaty except with the United Kingdom in 2010.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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

members, 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 (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, 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 the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up 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. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(q) 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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of 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 available for inspection" in Appendix IX. 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. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation of the Company

The Company was incorporated under the Companies Law in the Cayman Islands with limited liability on 9 August 2010. The Company was registered as a non-Hong Kong company in Hong Kong on 16 September 2010 under Part XI of the then in force Companies Ordinance (Chapter 32 of the Laws of Hong Kong). As at the date of its incorporation, the Company had an authorised share capital of HK$380,000, divided into 38,000,000 Shares of nominal value of HK$0.01 each. As at the Latest Practicable Date, the Company has an authorised share capital of HK$10,000,000 divided into 1,000,000,000 Shares and issued share capital of HK$2,000,000 divided into 200,000,000 Shares, all fully paid or credited as fully paid.

As at the Latest Practicable Date, the Company's principal place of business in Hong Kong is at Suites 2906-08, AIA Central, 1 Connaught Road Central, Hong Kong. Mr. ZHONG Beichen and Ms. Wong Chi Mei have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company at Suites 2906-08, AIA Central, 1 Connaught Road Central, Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates in accordance with the relevant laws of the Cayman Islands and its constitutional documents comprising the Memorandum and the Articles. A summary of certain relevant provisions of its constitutional documents and certain relevant aspects of the Cayman Islands Company Law are set out in Appendix VII to this circular.

2. Changes in share capital of the Company and the Group

There has been no alteration in the share capital of the Company and any other member of the Group within the two years immediately preceding the date of this circular.

On 4 June 2014, Shengfa acquired the entire issued share capital in Far Reaching for a consideration of HK$1.00 from Soaring Empire Limited, an indirect wholly-owned subsidiary of BCL. Upon completion of the transfer, Far Reaching became indirectly wholly-owned by the Company.

B. FURTHER INFORMATION ABOUT THE TARGET GROUP

1. Changes in share capital of the Target Company and Xi'an Hengfu

The Target Group holds its interest in the Xi'an Project and conducts property development through the Target Company. For alterations and transfers of equity interests in the Target Company, please refer to the section headed "Business of the Target Group – History and development – Corporate structure and shareholding changes" for details.

Xi'an Hengfu was established on 2 August 2012 in the PRC, as a limited liability company with a registered capital of RMB10 million which has been fully paid up. The Target Company has been the sole equity holder of Xi'an Hengfu since its establishment. Xi'an Hengfu had not commenced material operations since its establishment and did not have material contributions to the performance of the Target Group during the Track Record Period.

2. Intellectual property rights of members of the Enlarged Group

(a) Registered Trademarks owned by the Group

As at the Latest Practicable Date, members of the Group had registered the following trademarks which are material in relation to the business of the Group:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Date of Registration	Expiry Date
	Nice World Chemical Industry (Xiamen) Co., Ltd.	The PRC	1	1242040	28 January 1999	27 January 2019 *(Note 1)*
(A) *(Note 2)*	Great Top Investment Limited	Hong Kong	1	301691271	17 August 2010	16 August 2020
(B)						
(A) *(Note 3)*	Great Top Investment Limited	Hong Kong	1	301691280	17 August 2010	16 August 2020
(B)						

(Note 1): The trademark registration was extended on 7 November 2008.

(Note 2): The colour blue is claimed as an element of mark "A" in the series

(Note 3): The colour red is claimed as an element of mark "A" in the series

(b) Registered Trademarks owned by the Target Company

As at the Latest Practicable Date, the Target Company had registered the following trademarks which are material in relation to the business of the Target Group:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Date of Registration	Expiry Date
漫香郡	Target Company	PRC	35	10766782	21 July 2013	20 July 2023
漫香郡	Target Company	PRC	37	10766904	28 July 2013	27 July 2023

Domain Names

As at the Latest Practicable Date, the Group had registered the following domain name:

Domain Name	Registrant	Date of Registration	Expiry Date
www.judaintl.com	Nice World Chemical Industry (Xiamen) Co., Ltd.	16 August 2010	16 August 2020

Note: The contents contained in the website above do not form part of this circular.

C. DISCLOSURE OF INTERESTS

1. Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (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/she is taken or was deemed to have under such provisions of the SFO); (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

So far as it is known to the Directors, (i) as at 17 September 2014, and (ii) immediately after Completion, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company 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 Group or the Enlarged Group as the case may be:

(a) Interests in the Company

		(i) As at 17 September 2014					(ii) Immediately after Completion					
Name of Shareholder	Capacity	Shares	Approx. % of total issued Shares	CPS *(Note 5)*	Total interests in Shares and CPS *(Note 6)*	Approx. % of total issued Shares	Shares	Approx. % of total issued Shares	CPS	Total interests in Shares and CPS *(Note 7)*	Approx. % of total issued Shares	Approx. % of total issued Shares and CPS
Get Thrive	Beneficial owner	130,200,000	65.1%	738,130,482	868,330,482	434.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BCG	Beneficial owner	19,800,000	9.9%	–	19,800,000	9.9%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rueyyuan Holding	Interest of controlled corporation *(Note 1)*	130,200,000	65.1%	738,130,482	868,330,482	434.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beijing Ruiyuan	Interest of controlled corporation *(Note 2)*	130,200,000	65.1%	738,130,482	868,330,482	434.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BCL	Interest of controlled corporation *(Note 3)*	130,200,000	65.1%	738,130,482	868,330,482	434.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Group	Interest of controlled corporation *(Note 4)*	150,000,000	75%	738,130,482	888,130,482	444.1%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. Get Thrive is a wholly-owned subsidiary of Rueyyuan Holding. As such, Rueyyuan Holding is deemed to be interested in all the Shares and CPS (as the case may be) in which Get Thrive is interested by virtue of the SFO.

2. Rueyyuan Holding is a wholly-owned subsidiary of Beijing Ruiyuan. As such, Beijing Ruiyuan is deemed to be interested in all the Shares and CPS (as the case may be) in which Rueyyuan Holding is interested or deemed interested by virtue of the SFO.

3. Beijing Ruiyuan is a wholly-owned subsidiary of BCL. As such, BCL is deemed to be interested in all the Shares and CPS (as the case may be) in which Beijing Ruiyuan is interested or deemed interested by virtue of the SFO.

4. As at the Latest Practicable Date, Capital Group controls approximately 45.58% of the total issued share capital (comprising domestic shares and H shares) of BCL and BCG is a wholly-owned subsidiary of Capital Group. As such, Capital Group is deemed to be interested in all the Shares and CPS (as the case may be) in which BCL and BCG are interested or deemed interested by virtue of the SFO.

5. On 15 August 2014, Get Thrive entered into a Subscription Agreement with the Company pursuant to which Get Thrive conditionally agreed to subscribe for 738,130,482 CPS at the price of HK$2.66 per CPS. Get Thrive is deemed to be interested in the Shares convertible from the CPS (on a 1:1 conversion ratio) by virtue of the SFO. Completion of the Subscription Agreement is subject to certain conditions (as set out in the section headed "Letter from the Board" of this circular) and as at the date of this circular, no CPS has been issued under the Subscription Agreement.

6. This is for illustration purpose only to show the interests and deemed interests of the substantial shareholders (in Shares and Shares convertible from the CPS to be issued) under the SFO (assuming all CPS to be issued to Get Thrive upon Completion will be converted on a 1:1 conversion ratio) as a percentage of the total issued Shares on 17 September 2014. No CPS has been issued or converted as at 17 September 2014.

7. This is for illustration purpose only to show the interests and deemed interests of the substantial shareholders (in Shares and Shares convertible from the CPS issued) under the SFO (assuming all CPS issued to Get Thrive upon Completion will be converted on a 1:1 conversion ratio, although no actual conversion by Get Thrive has taken place). Any exercise of conversion rights attaching to the CPS by Get Thrive is subject to the Company meeting the minimum public float requirements under the Listing Rules.

As shown in the table above, BCL, Rueyyuan Holding and Capital Group are companies which interests fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Tang Jun and Mr. Liu Xiaoguang are executive directors of BCL and Mr. Wang Hao is a non-executive director of BCL. Mr. Tang Jun is also a director of Rueyyuan Holding, an indirect wholly-owned subsidiary of BCL. Mr. Liu Xiaoguang and Mr. Wang Hao are also directors of Capital Group, the controlling shareholder of BCL and a state-owned limited liability company under the direct supervision of the Beijing Municipal Government.

(b) Interests of 10% or more in any other member of the Enlarged Group

As at 17 September 2014, Asian Expert was interested in 100% equity interest in the Target Company. Immediately after Completion, the Target Company will be wholly-owned by Far Reaching.

D. 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 Acquisition Agreement dated 15 August 2014 entered into between Far Reaching and Asian Expert in relation to the transfer of the Transfer Interest from Asian Expert to Far Reaching for a consideration of approximately HK$1,963.4 million;

(b) the Non-Competition Deed dated [•] and executed by each of BCL and the Company mutually in favour of each other, incidental to the Acquisition;

(c) the Subscription Agreement dated 15 August 2014 entered into between Get Thrive and the Company in relation to the subscription by Get Thrive of 738,130,482 CPS at an issue price of HK$2.66 per CPS which will be issued by the Company; and

(d) the sponsor agreement dated [•] 2014 entered into among inter alia, the Company, Asian Expert and the Sole Sponsor in relation to their rights and obligations in connection with the new listing application of the Company.

E. LEGAL PROCEEDINGS OF THE ENLARGED GROUP

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

F. CONSENTS AND QUALIFICATIONS OF EXPERTS

Each of HSBC Corporate Finance (Hong Kong) Limited, Altus Capital Limited, JunZeJun Law Offices, Conyers Dill & Pearman (Cayman) Limited, Ernst & Young, HLB Hodgson Impey Cheng Limited and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or valuation certificates and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualifications
HSBC Corporate Finance (Hong Kong) Limited	Licenced to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital Limited	Licenced to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
JunZeJun Law Offices	PRC legal adviser
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Ernst & Young	Certified Public Accountants
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Independent property valuer

G. SERVICE CONTRACTS

1. Service contracts

Each of the executive and non-executive Directors has entered into a service contract and each of the independent non-executive Directors has entered into a letter of appointment with the Company, pursuant to which he or she agreed to act for a term of three years with effect from 21 December 2013, subject to rotation and re-election in accordance with the Articles. The basic annual salaries of the Directors are set out below.

Name	**Annual Salary** *(HK$)*
Mr. Tang Jun (唐軍)	Nil
Mr. Zhong Beichen (鍾北辰)	*Note*
Mr. Liu Xiaoguang (劉曉光)	Nil
Mr. Wang Hao (王灝)	Nil
Mr. Ngai Wai Fung (魏偉峰)	276,000
Ms. Zhao Yuhong (趙宇紅)	276,000
Mr. He Xiaofeng (何小鋒)	276,000

Note: As at the date of this circular, the remuneration of Mr. Zhong Beichen has not been determined but disclosure will be made in the Company's next annual report. Mr. Zhong's remuneration will be determined by the Board according to the recommendation of the remuneration committee of the Company with reference to his job complexity, workload and responsibilities within the Enlarged Group and the remuneration policy of the Company from time to time.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into service contract(s) with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Remuneration and benefits

Please refer to the section headed "Directors and Senior Management of the Enlarged Group – Compensation of Directors and senior management" in this circular for further details of the Directors' emoluments. Please refer to the sections headed "Directors and Senior Management of the Enlarged Group – Compensation of Directors and senior management" and "Directors and Senior Management of the Enlarged Group – Employees of the Group" in this circular for further details of the employees' emoluments.

The Group is enrolled in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets (if any) of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employees' relevant income to the MPF Scheme subject to a maximum of HK$1,500 (HK$1,250 from 1 June 2012 to 31 May 2014, both dates inclusive, and HK$1,000 before 1 June 2012) per employee per month. The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

H. SHARE OPTION SCHEME

Pursuant to a shareholder's resolution in writing dated 14 March 2012 ("**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, Directors and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of the subsidiaries (the "**Eligible Participants**") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. The following is a summary of the principal terms of the Share Option Scheme.

1. Terms of the Share Option Scheme

(a) Who may join

The Board may, at its absolute discretion, offer the Eligible Participants, options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with paragraph (b) below, and subject to the other terms of the Share Option Scheme summarised below.

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price under paragraph (b) where paragraphs (c)(v) and (d)(iii) apply.

(b) Price of Shares

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price per Share on Main Board as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option, which must be a business day; and (ii) the average closing prices per Share on Main Board as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option and (iii) the nominal value of a Share.

(c) Maximum number of Shares

(i) The maximum aggregate number of 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 schemes of the Group must not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit being exceeded.

(ii) The total 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 schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at 2 April 2012 (the "**Scheme Mandate Limit**") (such 10% being equivalent to 20,000,000 Shares then in issue) unless Shareholders' approval has been obtained pursuant to paragraph (iii) or (iv) below. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(iii) The Board may seek approval by Shareholders in general meeting to renew the Scheme Mandate Limit. However, the total 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 schemes of the Group in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit (the "**Renewed Scheme Mandate Limit**").

(iv) Subject to paragraph (i) above, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit or the Renewed Scheme Mandate Limit (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the Renewed Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to such Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(v) Unless approved by the Shareholders in the manner set out in this paragraph (v), the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options under the Share Option Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital of the Company as at the date of such further grant, such further grant must be subject to the separate approval of Shareholders at general meeting with such Eligible Participant and his/her associates abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the Eligible Participant, the number and the terms of the options previously granted and to be granted and containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the subscription price for Shares) of the options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above.

(d) Restrictions on grant of options

(i) No offer or the grant of an option shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision of the Directors, until such price sensitive information has been announced in accordance with the relevant requirements of the Listing Rules and, in particular, no Eligible Participant shall be granted an option during the period commencing one month immediately preceding the earlier of:

(1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the annual results, the interim results or the quarterly or any other interim period results of the Company (whether or not required under the Listing Rules); and

(2) the deadline for the Company to publish announcement of its annual results, interim results or quarterly results under the Listing Rules or any other interim period results (whether or not required under the Listing Rule),

and ending on the date of announcement for such results. For the avoidance of doubt, the period in which no options shall be granted mentioned above shall include any period of delay in the publications of a results announcement.

(ii) Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(iii) Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of 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 such grant representing in aggregate over 0.1% of the total issued share capital of the Company on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK$5 million, such further grant of options must be subject to the approval of Shareholders taken on a poll in general meeting. In addition, the date of the Board meeting for proposing such further grant should be taken as the

date of grant for the purpose of calculating the subscription price under paragraph (b) above. The connected person involved in such proposed grant and all other connected persons of the Company must abstain from voting in such general meeting (except that any connected person may vote against the proposed grant provided that his/her intention to do so has been stated in the Shareholders' circular). A Shareholders' circular must be prepared and sent by the Company containing (1) details of the number and terms (including the subscription price) of the options to be granted to each participant, which must be fixed before the Shareholders' meeting; (2) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting; (3) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and (4) the information required under Rule 2.17 of the Listing Rules.

(e) Time of and restrictions on exercise of option

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

(f) Assignment

Options granted under the Share Option Scheme must be personal to the grantee, which shall not sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt so to do. Any breach of the foregoing by the grantee shall entitle the Company to cancel any option granted to such grantee (to the extent not already exercised).

(g) Rights on cessation of employment by death

If the grantee of an option (being an individual) ceases to be an Eligible Participant by reason of death and none of the events set out in paragraph (i) below which would be a ground for the termination of his/her employment, directorship, appointment or engagement arises, his/her personal representative(s) may exercise the option up to the entitlement of the grantee as at the date of death (to the extent which has become exercisable but not already exercised) within a period of twelve (12) months from the date of death (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, his/her personal representative(s) may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse.

(h) Right on winding up of, or material changes in, the grantee

If a grantee (being a corporation):

(i) commences winding up by whatever means, whether voluntarily or not; or

(ii) suffer a change in its constitution, management, directors, shareholdings or beneficial ownership which in the opinion of the Board is material, the option (to the extent not already exercised) shall lapse on the date of the commencement of winding up of the grantee or on the date of notification by the Company that the said change in constitution, management, directors, shareholding or beneficial ownership is material, as the case may be, and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving the grantee's option has lapsed by reason of material change in the constitution, management, directors, shareholding or beneficial ownership as aforesaid shall be final and conclusive.

(i) Rights on dismissal of the grantee

If the grantee of an option ceases to be an Eligible Participant by reason of the termination of his/her employment, directorship, appointment or engagement on any one or more of the grounds that he/she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has breached or failed to comply with any provisions of the relevant service contract, letter of appointment or other contracts or agreements of the grantee with the Company or the relevant subsidiary for the

employment, appointment or engagement, or has been convicted of any criminal offence involving his/her integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the service contract or letter of appointment or other contract or agreement for employment, appointment or engagement of the grantee with the Company or the relevant subsidiary, his/her option (to the extent not already exercised) will lapse and not be exercisable on the date of termination of his/her employment, directorship, appointment or engagement. A resolution of the Board or the board of directors or governing body of the relevant subsidiary to the effect that the employment, directorship, appointment or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (i) shall be conclusive.

(j) Right on cessation of eligibility for other reasons

If the grantee of an option ceases to be an Eligible Participant for any other reason, the grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent which has become exercisable but not already exercised) within three (3) months following the date of such cessation (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, he/she may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse. The date of cessation as aforesaid shall be the last working day with the Company or the relevant subsidiary, whether salary or compensation is paid in lieu of notice or not, or the last date of office or appointment as Director, or the last date of appointment or engagement as consultant or adviser to the Company or the relevant subsidiary, as the case may be, in the event of which, the date of cessation as determined by a resolution of the Board or the board of directors or governing body of the relevant subsidiary shall be conclusive.

(k) Rights on a general offer

If a general (or partial) offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) 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 concert with the offeror), the terms of which have been approved by any relevant regulatory authority and are in accordance with the applicable laws and regulatory requirements and becomes, or is declared unconditional prior to the expiry of the option, the Company shall within seven (7) days of such offer becoming or being declared unconditional give notice thereof to the grantee, whereupon the grantee (or his/her personal representatives) shall be entitled to exercise the option in full or in part (to the extent which has become exercisable but not already exercised)

at any time within fourteen (14) days after the date of such notice and, to the extent any of the options have not been so exercised, such option shall upon the expiry of such period lapse.

(l) Rights on winding up

In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as it despatches such notice of the proposed general meeting to each Shareholder give notice thereof to the grantee (or his/her personal representatives), who may, by notice in writing to the Company (such notice to be received by the Company not later than five (5) business days prior to the proposed general meeting) accompanied by a remittance/payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the option (to the extent which has become exercisable but not already exercised) either to its full extent or to the extent specified in such notice and 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, allot and issue such number of Shares to the grantee which falls to be issued on such exercise, credited as fully paid up and register the grantee as holder thereof. Any options shall, to the extent they have not been so exercised, lapse and determine.

(m) Rights on compromise or arrangement

If, pursuant to the Companies Law or other applicable law, a compromise or scheme of arrangement between the Company and the members and/or creditors is proposed for the purpose of or in connection with the reconstruction of the Company or the amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it gives notice to the members or creditors of the Company summoning a meeting to consider such a compromise or scheme of arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on earlier of:

(i) the date two calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise his/her option (to the extent which has become exercisable but not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. The Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of the options in these

circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been so exercised, lapse and determine. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(n) Effects of alterations to share capital

In the event of any capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision, or reduction of the share capital of the Company in accordance with legal requirements and the requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which the Company and/or any of the subsidiaries is a party), the number or nominal amount of Shares subject to the option granted pursuant to Share Option Scheme so far as unexercised and/or the subscription price or any combination thereof, shall be adjusted in such manner as the auditors for the time being of the Company or an independent financial adviser to be appointed by the Company for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable provided always that:

(i) no such adjustments shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;

(ii) such adjustments shall be made on the basis that the grantee shall have as nearly as possible the same proportion of the issued share capital of the Company to which the grantee was entitled before such adjustments;

and in each case, any adjustment must be made in compliance with the Listing Rules (including Chapter 17 thereof), the supplemental guidance issued on 5 September 2005 and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, the auditors for the time being of the Company or an independent financial adviser to be appointed by the Company

must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules or the relevant guidance or interpretation thereof.

(o) Ranking of Shares

The Shares to be issued and allotted upon the exercise of options granted under the Share Options Scheme will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which Shares are allotted to the grantee (or his/her personal representative(s)) (the "**Allotment Date**") and accordingly will entitle the holders to participate in all dividends or other distributions declared paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the Allotment Date.

Unless the context otherwise requires, references to "Shares" in the Share Option Scheme include references to shares in the share capital of the Company of any such nominal amount as shall result from a sub-division or a consolidation, reclassification or reconstruction of the share capital of the Company from time to time forming part of the ordinary equity share capital.

(p) Lapse of option

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:

(i) the expiry of the period referred to in paragraph (e) above;

(ii) the expiry of the periods referred to paragraphs (g), (h), (j), (k), (l) and (m) above;

(iii) subject to paragraph (l) above, the date of the commencement of the winding-up of the Company;

(iv) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her employment, directorship, appointment or engagement referred to in paragraph (i) above;

(v) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option or attempt to do so in breach of the Share Option Scheme.

(q) Period of the Share Option Scheme

Subject to the fulfillment of the conditions of the Share Option Scheme and the earlier termination by Shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date, after which period no further Options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

(r) Alteration to the Share Option Scheme and the terms of options granted under the Share Option Scheme

All provisions of the Share Option Scheme may, subject to the Listing Rules, be altered from time to time in any respect by a resolution of the Board save that the following alterations shall require the prior sanction of an ordinary resolution by the Shareholders in general meeting (with all grantees, prospective grantee and their associates abstaining from voting and the votes taken by poll):

(i) any alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee or the Eligible Participants;

(ii) any alterations of the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted under the Share Option Scheme (except where the alterations take effect automatically under the existing terms of the Share Option Scheme); and

(iii) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares. Any amended terms of the Share Option Scheme or options shall still comply with the relevant requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

In respect of any meeting of the grantees which may be held for this purpose, all the provisions of the constitutional documents for the time being of the Company as to general meetings of the Company shall mutatis mutandis apply as though the options were a class of shares forming part of the capital of the Company except that:

(i) not less than seven (7) day's notice of such meeting shall be given;

(ii) a quorum at any such meeting shall be two (2) grantees present in person or by proxy and holding options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all options then outstanding unless there is only one grantee holding all options then outstanding, in which case the quorum shall be one grantee;

(iii) every grantee present in person or by proxy at any such meeting shall be entitled on show of hands to one vote, and on a poll, to one vote for each Share to which he/she would be entitled upon exercise in full of his/her options then outstanding;

(iv) any grantee present in person or by proxy may demand a poll; and

(v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven (7) or more than fourteen (14) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantee who are then present in person or by proxy shall form a quorum.

Where there is any proposed change to the terms of any options granted to a connected person of the Company who is also a substantial shareholder or an independent non-executive Director or any of their respective associates (except where the change takes effect automatically under the existing terms of the Share Option Scheme), then the proposed change must be subject to the approval of the Shareholders taken on poll at general meeting and to such other requirements of the Listing Rules. The connected person involved in such proposed change and all other connected persons of the Company must abstain from voting in such general meeting (except that any connected person may vote against the proposed change provided that his/her intention to do so has been stated in the circular). A Shareholders' circular must be prepared and sent by the Company explaining the proposed change and disclosing the original terms of the options, and containing a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the holder of the options which terms are to be changed) on whether or not to vote in favour of the proposed change and containing such other information required under the Listing Rules.

(s) Administration of the Share Option Scheme

The Share Option Scheme shall be administered by the Board.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

(t) Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of 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 full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination. Upon such termination, details of the options granted, including options exercised or outstanding shall be disclosed in the circular to Shareholders seeking approval of the first new scheme to be established after such termination.

(u) Cancellation of Options

Subject to paragraph (f) above, any cancellation of options granted but not exercised shall be approved by the Board. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme and the requirements of the Listing Rules and provided further that new options may be issued to a grantee in place of his/her cancelled options only if there are available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Renewed Scheme Mandate Limit.

Any reference to the "**Board**" above shall include a duly authorised committee of the Board.

The Share Option Scheme, the subsequent granting of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options to be granted have been approved by the Stock Exchange in the initial listing of the Company in 2012. As at the Latest Practicable Date, there are no options granted and outstanding under the Share Option Scheme.

I. SHARE REPURCHASE

Share repurchase by the Company on the Stock Exchange, if any, is subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction. By the resolutions of the Shareholders passed in the annual general meeting of the Company held on 25 June 2014, the Directors have been granted the Repurchase Mandate (as defined in the section headed "Share Capital" of this circular) to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, the Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company then in issue.

(ii) Funding of repurchase

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any purchase by it of Shares, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the Stock Exchange. Furthermore, the Company is prohibited from repurchasing Shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(iv) General

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in

the number of Shares held by the public being reduced to less than the prescribed minimum percentage required by the Stock Exchange is prohibited unless otherwise waived by the Stock Exchange.

J. SOLE SPONSOR AND FINANCIAL ADVISER

A listing application on behalf of the Company has been submitted to the Stock Exchange by the Sole Sponsor on 17 September 2014. The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees are US$2 million, payable by the Company. The Hongkong and Shanghai Banking Corporation Limited is the Financial Adviser of the Company in connection with the Acquisition.

K. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$38 million, payable by the Company.

L. ESTATE DUTY

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Enlarged Group in the Cayman Islands, the BVI, Hong Kong, the PRC and other jurisdictions in which the companies comprising the Enlarged Group are incorporated.

M. TAXATION

Dealings in the Shares will be subject to Hong Kong stamp duty. An ad valorem stamp duty will be charged on the sale and purchase of Shares, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. In addition, a fixed duty of HK$5.0 is currently payable on any instrument of transfer of Shares.

Shareholders and potential investors in the Shares of the Company are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in the Shares. None of the Company, the Sole Sponsor, the Financial Adviser, the Independent Financial Adviser, any of their respective directors, agents, employees or other advisers or parties involved in the Acquisition accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, the Shares.

N. MISCELLANEOUS

Save as disclosed in this circular:

(a) within the two years immediately preceding the date of this circular:

(i) no share or loan capital of the Company or any member of the Enlarged Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any member of the Enlarged Group is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither the Company nor any member of the Enlarged Group has issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Enlarged Group;

(v) the Company has no outstanding convertible debt securities or debentures;

(vi) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents and Qualifications of Experts" in this appendix is interested in the promotion of the Company or in any assets which have been within the two years immediately preceding the Latest Practicable Date acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group;

(vii) none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group;

(viii) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the Latest Practicable Date to any promoter of the Company nor is any such cash, securities or benefit proposed to be paid, allotted or given to any promoter; and

(ix) so far as is known to the Directors, none of the Directors, their respective associates or the Shareholders who are interested in 5% or more of the issued share capital of the Company have any interest in the five largest customers or the five largest suppliers of the Enlarged Group.

(b) none of the persons whose names are listed in the paragraph headed "Consents and Qualifications of Experts" in this appendix has any shareholding in any member of the Enlarged 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 Enlarged Group;

(c) the Shares are accepted as eligible securities of CCASS established and operated by HKSCC;

(d) other than the Shares listed on the Stock Exchange, none of the equity or debt securities of the Company is currently listed on or dealt in on any other stock exchange or trading system, and no such listing or permission to list on any other stock exchange is currently being or agreed to be sought;

(e) there is no arrangement under which future dividends declared by the Company have been waived or agreed to be waived; and

(f) there has not been any interruption in the business of the Enlarged Group which may have or has had a significant effect on the financial position of the Enlarged Group in the twelve months immediately preceding the date of this circular.

The English text of this circular shall prevail over the Chinese text.

Copies of the following documents are available for inspection at the office of the Company at Suites 2906-08, AIA Central, 1 Connaught Road Central, Hong Kong during normal business hours, Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the EGM:

(a) the Memorandum and Articles of the Company;

(b) Directors' service contracts and letters of appointment;

(c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(e) the letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(f) the annual reports of the Company for each of the three years ended 31 March 2014;

(g) the Accountants' Report on the Target Company prepared by Ernst & Young for each of the three years ended 31 December 2013 and the six months period ended 30 June 2014, the text of which is set out in Appendix III to this circular;

(h) the Auditors' Report issued by HLB Hodgson Impey Cheng Limited in respect of the Consolidated Financial Statements of the Group for each of the two years ended 31 March 2014 and the Auditors' Report issued by HLB Hodgson Impey Cheng in respect of the Consolidated Financial Statements of the Group for the year ended 31 March 2012, the text of which is set out in Appendix IV to this circular;

(i) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group issued by Ernst & Young, the text of which is set out in Appendix V to this circular;

(j) the Property Valuation Report of the Target Group prepared by DTZ, the text of which is set out in Appendix VI to this circular;

(k) the letter summarising certain aspects of the Cayman Islands company law prepared by Conyers Dill & Pearman (Cayman) Limited, the text of which is set out in Appendix VII to this circular;

(l) a copy of each of the material contracts set out in the section headed "D. Summary of material contracts" in Appendix VIII to this circular;

(m) the written consents referred to in the section headed "F. Consents and qualifications of experts" in Appendix VIII to this circular;

(n) the PRC legal opinions issued by JunZeJun Law Offices, the PRC legal advisers to the Company;

(o) the Office and Administrative Cost-sharing Agreement;

(p) the Companies Law of the Cayman Islands; and

(q) a copy of this circular.

JUDA INTERNATIONAL HOLDINGS LIMITED
鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1329)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Juda International Holdings Limited (the "**Company**") will be held at [•] on [REDACTED] for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution nos. 1 to 4 as ordinary resolutions of the Company. Capitalised terms defined in the circular dated [•] 2014 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition

1. "**THAT**

   (a) the Acquisition Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution no. 1."

Resolution in relation to the Subscription and the issue of the CPS

2. "**THAT**

   (a) the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution no. 2."

Resolution in relation to the grant of a specific mandate for the allotment and issue of the CPS and the Conversion Shares

3. "**THAT** subject to the passing of ordinary resolutions nos. 1, 2 and 4 and conditional upon the Listing Committee granting the listing of, and the permission to deal in, the Conversion Shares:

(a) the grant of a specific mandate for the allotment and issue of the CPS and the Conversion Shares in accordance with the terms of the Acquisition Agreement be and is hereby approved; and

(b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution no. 3."

Resolution in relation to the increase in the authorised share capital of the Company and the creation of the CPS

4. "**THAT** subject to the passing of ordinary resolution nos. 1 and 2:

(a) the authorised share capital of the Company be and is hereby increased from HK$10,000,000 to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 nominal value each (the "Increase");

(b) the creation of 738,130,482 limited-voting non-redeemable convertible preference shares of HK$0.01 nominal value each of the Company (the "CPS") having the rights and restrictions as set out in the Subscription Agreement be and is hereby approved;

(c) following the Increase and creation of the CPS, the authorised share capital of the Company shall be re-classified and re-designated to the effect that the increased authorised share capital of the Company of HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 nominal value each shall comprise of 1,261,869,518 shares designated as Shares and 738,130,482 shares designated as CPS; and

(d) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution no. 4."

By Order of the Board
Juda International Holdings Limited
Tang Jun
Chairman and Executive Director

Hong Kong, [•] 2014

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong branch registrar and transfer office, [REDACTED] not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. All the resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

4. As at the date of this notice, the Board comprises Mr. TANG Jun (Chairman) and Mr. ZHONG Beichen as executive Directors; Mr. LIU Xiaoguang and Mr. WANG Hao as non-executive Directors; and Dr. NGAI Wai Fung, Ms. ZHAO Yuhong and Mr. HE Xiaofeng as independent non-executive Directors.