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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Capital Juda Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM of the Company to be held on Monday, 18 July 2016.

CAPITAL JUDA
BEIJING CAPITAL JUDA LIMITED
首創鉅大有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1329)

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE OUTLETS PROJECTS**
**(2) ISSUE OF CONVERTIBLE PREFERENCE SHARES
AND CONNECTED TRANSACTION**
**(3) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO
THE CONVERTIBLE PREFERENCE SHARES**
(4) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO PLACING

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

AmCap

Ample Capital Limited

豐盛融資有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 8 to 38 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 40 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 pages 41 to 74 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Monday, 18 July 2016 at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-3 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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy 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.

30 June 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	39
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	41
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – ACCOUNTANTS’ REPORTS OF THE TARGET COMPANIES ...	II-1
PART 1 – ACCOUNTANTS’ REPORT OF CHUANGXIN JIANYE	II-1
PART 2 – ACCOUNTANTS’ REPORT OF HUZHOU OUTLETS	II-42
APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	III-1
APPENDIX IV – MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP	IV-1
APPENDIX V – PROPERTY VALUATION OF THE TARGET GROUP	V-1
APPENDIX VI – GENERAL INFORMATION	VI-1
NOTICE OF THE EGM	EGM-1

DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sale Shares and the Shareholder Loan as contemplated under the Acquisition Agreements
“Acquisition Agreements”	the Chuangxin Jianye Acquisition Agreement, the Huzhou Acquisition Agreement and the Shareholder Loan Transfer Agreement, and “Acquisition Agreement” shall refer to any of them
“Amended Non-Competition Deed”	the amended non-competition deed dated 28 June 2016 and entered into between the Company and BCL, replacing the Non-Competition Deed
“Articles”	the articles of association of the Company adopted on 14 March 2012, as may be amended from time to time
“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, a wholly-owned subsidiary of Capital Group and a connected person of BCL
“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 Group”	BCL and its subsidiaries, excluding the Enlarged Group
“BECL Investment”	BECL Investment Holding Limited, a company incorporated in Hong Kong with limited liability, a directly wholly-owned subsidiary of BCL and the controlling shareholder and a connected person of the Company
“Beijing Hengsheng”	Beijing Hengsheng Huaxing Investment Management Co., Ltd.* (北京恒盛華星投資管理有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of Chuangxin Jianye
“Beijing Yangguang”	Beijing Yangguang Outlets Business Management Co., Ltd.* (北京陽光奧萊商業管理有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of Chuangxin Jianye
“Board”	the board of Directors

DEFINITIONS

“Business Day”	a business day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“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 and under the direct supervision of the Beijing Municipal Government, the controlling shareholder and a connected person of BCL
“Capital Juda”	Capital Juda Outlets Resources Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“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
“China Creative”	China Creative Properties Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of BCL
“Chuangxin Jianye”	Beijing Chuangxin Jianye Real Estate Investment Ltd.* (北京創新建業地產投資有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of BCL
“Chuangxin Jianye Acquisition Agreement”	an acquisition agreement dated 8 June 2016 and entered into between Shanghai Juque, Shanghai Juxin and BCL in relation to the acquisition the entire issued share capital of Chuangxin Jianye
“Class A Convertible Preference Shares”	the 738,130,482 limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each in issue in the share capital of the Company to be re-designated as Class A limited-voting non-redeemable convertible preference shares
“Company”	Beijing Capital Juda Limited (首創鉅大有限公司), formerly known as Juda International Holdings Limited (鉅大國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1329)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreements and of the Subscription and issue of the CPS in accordance with the terms and conditions of the Subscription Agreement

DEFINITIONS

“Consideration”	RMB2,372,327,068, being the total consideration for the Acquisition
“Conversion Shares”	the 905,951,470 new Shares to be allotted and issued to BECL Investment by the Company upon the exercise by BECL Investment of the conversion rights attaching to the CPS, credited as fully paid
“CPS”	the 905,951,470 new limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each in the share capital of the Company having the rights and restrictions set out in the Subscription Agreement which, subject to approval by shareholders of the Company of the Re-designation and Re-classification, will be designated as Class B limited-voting non-redeemable convertible preference shares of HK\$0.01 each to be allotted and issued by the Company credited as fully paid against payment therefor, and CPS shall refer to any one of them
“Directors”	director(s) of the Company
“Disposal”	the sale of the Sale Shares and the Shareholder Loan by BCL to the Company pursuant to the Acquisition Agreements
“DTZ”	DTZ Cushman & Wakefield Limited
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, among others, (i) the Acquisition; (ii) the issue of the CPS; (iii) the proposed grant of the Specific Mandate; (iv) the Amended Non-Competition Deed; (v) the Re-designation and Re-classification; and (vi) the Specific Placing Mandate
“Enlarged Group”	the Group and the Target Group
“Fangshan Outlets”	Outlets Property Investment Fang Shan Ltd.* (北京首創奧特萊斯房山置業有限公司), a company incorporated in the PRC and 99% directly held by Chuangxin Jianye and 1% directly held by China Creative
“GFA”	gross floor area
“Group”	the Company and its subsidiaries immediately prior to Completion

DEFINITIONS

“Hainan Entrustment Agreement”	an entrustment agreement dated 28 June 2016 and entered into between the Company and BCL for, among others, the leasing, marketing and property management of the Hainan Integrated Outlets Project
“Hainan Integrated Outlets Project”	an outlets-backed commercial integrated project located in Wanning, Hainan Province, the PRC and owned as to 55% by BCL
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou Acquisition Agreement”	an acquisition agreement dated 8 June 2016 and entered into between Capital Juda and Renowned Brand in relation to the acquisition of the entire issued share capital of Huzhou Outlets
“Huzhou Outlets”	Zhejiang Outlets Property Real Estate Co., Ltd.* (浙江奧特萊斯置業有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of Renowned Brand
“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, among other things, the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate
“Independent Financial Adviser” or “Ample Capital”	Ample Capital Limited, a corporation licensed to conduct Types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management respectively) under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate
“Independent Shareholder(s)”	the Shareholder(s), other than (i) BECL Investment, BCG and their respective close associates; and (ii) those who have a material interest(s) in the Acquisition, the issue of the CPS and the Amended Non-Competition Deed
“Issue Price”	HK\$2.78 per CPS
“Joint Announcement”	the joint announcement of the Company and BCL dated 8 June 2016 in relation to, among other things, the Acquisition

DEFINITIONS

“Kunshan Dongxing”	Capital Dongxing (Kunshan) Business Development Co., Ltd.* (首創東興（昆山）商業開發有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of Chuangxin Jianye
“Kunshan Outlets”	Capital Outlets (Kunshan) Business Development Co., Ltd.* (首創奧特萊斯（昆山）商業開發有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of Chuangxin Jianye
“Last Trading Day”	7 June 2016, being the last full trading day for the Shares prior to the publication of the Joint Announcement
“Latest Practicable Date”	28 June 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing 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 as amended from time to time
“Non-Competition Deed”	the deed of non-competition dated 13 November 2014 and executed by each of BCL and the Company mutually in favour of each other
“Outlets Projects”	Fangshan Integrated Outlets Project, Huzhou Integrated Outlets Project and Kunshan Integrated Outlets Project, being the three outlets-backed commercial integrated projects held by the Target Group, and “Outlets Project” shall refer to any of them
“percentage ratio”	any of the five ratios set out in Rule 14.07 of the Listing Rules
“Placing(s)”	one or more potential share placement(s) to be conducted by the Company, pursuant to which new Shares will be issued by the Company pursuant to the Specific Placing Mandate
“Purchasers”	Capital Juda, Shanghai Juque and Shanghai Juxin, and “Purchaser” shall refer to any of them
“PwC”	PricewaterhouseCoopers

DEFINITIONS

“Re-designation and Re-classification”	the proposed re-designation and re-classification of authorised share capital of the Company, by (1) re-designating all existing authorised and issued limited-voting non-redeemable convertible preference shares of the Company to become “Class A limited-voting non-redeemable convertible preference shares”, and (2) re-designating and re-classifying the authorised share capital of the Company of HK\$200,000,000 divided into 20,000,000,000 shares of par value of HK\$0.01 each to be comprised of: (i) 18,355,918,048 Shares, (ii) 738,130,482 Class A limited-voting non-redeemable convertible preference shares and (iii) 905,951,470 Class B limited-voting non-redeemable convertible preference shares
“Renowned Brand”	Renowned Brand Outlet Store Enterprise Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of BCL
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of each of the Target Companies
“Sellers”	BCL and Renowned Brand, and “Seller” shall refer to any of them
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Juque”	Shanghai Juque Investment Management Co., Ltd.* (上海鉅譽投資管理有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“Shanghai Juxin”	Shanghai Juxin Enterprise Management Consultation Co., Ltd.* (上海鉅歆企業管理諮詢有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the shares of the Company
“Shareholder Loan”	the amount of RMB1,197,796,182 outstanding and owing by Chuangxin Jianye to BCL as of the date of the Shareholder Loan Transfer Agreement

DEFINITIONS

“Shareholder Loan Transfer Agreement”	a transfer agreement dated 8 June 2016 and entered into among Shanghai Jueque, BCL and Chuangxin Jianye in relation to the transfer of the Shareholder Loan
“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)
“Specific Placing Mandate”	the specific mandate proposed to be granted to the Directors by the Shareholders at the EGM to issue not more than 790,000,000 new Shares, the details of which are set out in the section headed “Letter from the Board — Proposed Grant of Specific Mandate to Issue New Shares — Specific Placing Mandate relating to Placing(s)” in this circular
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by BECL Investment of the CPS in accordance with the terms and conditions set out in the Subscription Agreement
“Subscription Agreement”	a subscription agreement dated 8 June 2016 entered into between BECL Investment and the Company in relation to the subscription by BECL Investment of 905,951,470 CPS to be allotted and issued by the Company
“Target Cities”	Xi’an, Hangzhou, Nanjing, Jinan, Changsha, Fuzhou, Wuhan, Hefei, Kunming, Zhengzhou, Nanchang, Nanning, Changchun, Harbin, Suzhou, Xiamen and Dalian in the PRC
“Target Companies”	Chuangxin Jianye and Huzhou Outlets, and “Target Company” shall refer to any of them
“Target Group”	the Target Companies and their subsidiaries, and “a member of the Target Group” shall refer to any of them
“%”	per cent.

The shareholding of the respective Shareholder in the Company as disclosed in this circular refers to the percentage shareholding of such Shareholder to the issued share capital of the Company, without taking into account of the non-redeemable convertible preference shares issued by the Company or the potential effect on the shareholding upon conversion of the non-redeemable convertible preference shares, unless otherwise stated.

In this circular, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

The English names of Chinese entities 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.*

LETTER FROM THE BOARD

CAPITAL JUDA
BEIJING CAPITAL JUDA LIMITED
首創鉅大有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1329)

Executive Directors:

Mr. TANG Jun (*Chairman*)
Mr. ZHONG Beichen (*Chief Executive Officer*)

Non-executive Directors:

Mr. WANG Hao
Mr. LI Songping

Independent non-executive Directors:

Dr. NGAI Wai Fung
Ms. ZHAO Yuhong
Mr. HE Xiaofeng

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Suites 2906-08
AIA Central
1 Connaught Road Central
Hong Kong

30 June 2016

To the Shareholders and holders of Issued CPS (for information only)

Dear Sir or Madam,

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE OUTLETS PROJECTS**
**(2) ISSUE OF CONVERTIBLE PREFERENCE SHARES
AND CONNECTED TRANSACTION**
**(3) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO
THE CONVERTIBLE PREFERENCE SHARES**
(4) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO PLACING

INTRODUCTION

Reference is made to the Joint Announcement. On 8 June 2016, the Purchasers, which are subsidiaries of the Company, and the Sellers, which are BCL and one of its subsidiaries, entered into the Acquisition Agreements for the proposed acquisition of the Outlets Projects. Pursuant to the Acquisition Agreements, the Purchasers have conditionally agreed to acquire and the Sellers have conditionally agreed to sell the Sale Shares, representing 100% of the equity interest in the Target Companies which in turn hold the entire interest in the respective Outlets Project and related trademarks, and the Shareholder Loan. The Target Group is primarily engaged in the development and operation of outlets-backed commercial integrated projects and has a portfolio of three integrated outlets projects located in Beijing, Kunshan and Huzhou in the PRC and related trademarks.

LETTER FROM THE BOARD

For the purpose of funding and partial settlement of the Consideration, on 8 June 2016, BECL Investment (as subscriber), a wholly-owned subsidiary of BCL, and the Company (as issuer) entered into the Subscription Agreement, pursuant to which BECL Investment conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 905,951,470 CPS on the terms and conditions set out in the Subscription Agreement at an issue price of HK\$2.78 per CPS. All proceeds arising from the issue of the CPS will be used to settle the consideration payable for the Acquisition.

The purpose of this circular is to provide you with (i) further details of the Acquisition and the issue of the CPS; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial information of the Target Companies; (v) valuation of properties of the Target Group; (vi) further details on the proposed specific mandate in relation to the Placing(s); (vii) other information as required to be disclosed under the Listing Rules; and (viii) to give notice of the EGM.

THE ACQUISITIONS

(a) Chuangxin Jianye Acquisition Agreement

Date

8 June 2016

Parties

- (1) Shanghai Juque (as one of the purchasers), a subsidiary of the Company;
- (2) Shanghai Juxin (as one of the purchasers), a subsidiary of the Company; and
- (3) BCL (as the seller).

Subject matter

Subject to the terms and conditions of Chuangxin Jianye Acquisition Agreement, (a) Shanghai Juque has conditionally agreed to acquire and BCL has conditionally agreed to sell 51% of the issued share capital of Chuangxin Jianye and (b) Shanghai Juxin has conditionally agreed to acquire and BCL has conditionally agreed to sell 49% of the issued share capital of Chuangxin Jianye.

Consideration

The consideration for the Chuangxin Jianye Acquisition Agreement shall be RMB701,573,886, which shall be satisfied by cash payment by Shanghai Juque and Shanghai Juxin as to 51% and 49%, respectively, to BCL on completion of the Chuangxin Jianye Acquisition Agreement.

LETTER FROM THE BOARD

Chuangxin Jianye directly holds the entire issued share capital of each of Kunshan Dongxin, Kunshan Outlets, Beijing Hengsheng and Beijing Yangguang and 99% of the issued share capital of Fangshan Outlets. The remaining 1% of the issued share capital of Fangshan Outlets is directly held by China Creative, a wholly-owned subsidiary of BCL. BCL will procure the intragroup transfer of the 1% issued share capital of Fangshan Outlets to Chuangxin Jiangye on or prior to completion of the Chuangxin Jianye Acquisition Agreement.

Fangshan Outlets holds an outlets-backed commercial integrated project in Fangshan District, Beijing, the PRC, a national “AAA” tourist attraction which comprises over 250 street-level outlet shops, a multi-story complex and supporting facilities. It has attracted over 24.3 million tourists since its opening in May 2013.

Kunshan Dongxin and Kunshan Outlets together hold an outlets-backed commercial integrated project in Kunshan, Jiangsu Province, the PRC, which comprises over 350 outlet shops and other supporting facilities. It has attracted over 490 thousand visitors since its opening in September 2015.

Beijing Hengsheng is the registered holder of the registered trademarks “Capital Outlets”, “Capitol Outlets” and “瀾錦滙” in the PRC, apart from which it does not have any operating activities. Upon Completion, the Enlarged Group shall be entitled to use the trademarks in the course of its operations of the Outlets Projects.

Beijing Yangguang is a business management company. As at the Latest Practicable Date, it does not hold any properties or trademarks or have any operating activities. It is envisaged that Beijing Yangguang will be used for provision of outlets leasing and management services.

(b) Huzhou Acquisition Agreement

Date

8 June 2016

Parties

- (1) Capital Juda (as the purchaser), a subsidiary of the Company; and
- (2) Renowned Brand (as the seller), a subsidiary of BCL.

Subject matter

Capital Juda has conditionally agreed to acquire and Renowned Brand has conditionally agreed to sell the entire issued share capital of Huzhou Outlets, subject to the terms and conditions of the Huzhou Acquisition Agreement.

LETTER FROM THE BOARD

Huzhou Outlets holds an outlets-backed commercial integrated project in the Taihu Lake tourist district in Huzhou, Zhejiang Province, the PRC, a national “AAA” tourist attraction which comprises over 300 street-level outlet shops, a budget hotel and supporting facilities. It has attracted over 820 thousand tourists since its opening in December 2013.

Consideration

The consideration for the Huzhou Acquisition Agreement shall be RMB472,957,000, which shall be satisfied by cash payment by Capital Juda to Renowned Brand on completion of the Huzhou Acquisition Agreement.

(c) Shareholder Loan Transfer Agreement

Date

8 June 2016

Parties

- (1) Shanghai Juque (as the purchaser), a subsidiary of the Company;
- (2) BCL (as the seller); and
- (3) Chuangxin Jianye.

Subject matter

Shanghai Juque has conditionally agreed to acquire and BCL has conditionally agreed to sell the Shareholder Loan, subject to the terms and conditions of the Shareholder Loan Transfer Agreement. Completion of the Shareholder Loan Transfer Agreement is conditional upon completion of the Chuangxin Jianye Acquisition Agreement.

Consideration

The consideration for the Shareholder Loan Transfer Agreement shall be RMB1,197,796,182, which shall be satisfied by cash payment by Shanghai Juque to BCL on completion of the Shareholder Loan Transfer Agreement, of which RMB931,276,042 shall be satisfied by using proceeds from the issue of the CPS and the remaining RMB266,520,140 shall be satisfied by internal resources of the Company.

LETTER FROM THE BOARD

Basis of the Consideration

The aggregate value of the Consideration shall be RMB2,372,327,068. The Consideration was determined after arm's length negotiation between the parties to the respective Acquisition Agreement, taking into consideration of the following factors:

- (i) the net asset value of the Target Companies as at 31 December 2015 in the amount of RMB1,149,953,000, which has taken into account, inter alia, the preliminary appraised value of properties of the Target Companies based on an independent valuation as at 31 December 2015;
- (ii) the amount of the Shareholder Loan of RMB1,197,796,182;
- (iii) the Consideration representing a nominal premium of approximately 1.05% to the aggregate amount of (i) and (ii) above (being RMB2,347,749,182); and
- (iv) the preliminary appraised value of properties of the Target Companies in the amount of RMB3,669,000,000, based on an independent valuation as at 31 December 2015 adopting the investment method or direct comparison method by capitalization of rental income or by reference to comparable market transactions respectively, and adjusted for construction cost to be incurred, if any.

Please refer to the property valuation report prepared by DTZ as set out in Appendix V to this circular. It is noted that in the summary of valuations and the relevant valuation certificates contained in the property valuation report, no commercial value has been ascribed by DTZ to Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project as these properties are subject to sale and transfer restrictions, being requirements stated in the relevant land grant contracts and/or land title documents that the property shall be held by the project company for operation and not for sale. Therefore, the amount of RMB1,001,000,000 as stated in the summary of valuations contained in the property valuation report only reflects the market value of Huzhou Integrated Outlets Project as at 31 March 2016.

Having considered:

- (i) No commercial value being ascribed to Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project is a valuation treatment only due to technicality. As stated in the paragraph headed "Basis of Valuation" in the property valuation report, "market value" as per 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". In view of such definition of "market value", DTZ is unable to ascribe a "market value" to Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project as the properties per se cannot be "exchanged";

LETTER FROM THE BOARD

- (ii) As advised by the PRC legal advisers to the Company, the aforesaid “sale and transfer restrictions” only apply to sale and transfer of the relevant property itself and do not restrict the sale and transfer of equity interest in the project company holding the relevant property (or equity interest in the holding company of such project company) on the basis that the operation of the property project will not be adversely affected. Accordingly, the equity interest in Chuangxin Jianye, the holding company of Kunshan Outlets, Kunshan Dongxin and Fangshan Outlets, is freely transferable. As such, the aforesaid “sale and transfer restrictions” would not affect the Acquisition;
- (iii) To reflect the fair market value of Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project, DTZ has separately ascribed market values of RMB1,923,000,000 and RMB804,000,000 to Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project, respectively, based on the assumptions that “proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled”. The preliminary appraised value of Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project as at 31 December 2015 (being one of the factors for the determination of the Consideration) was also derived on similar basis. On such basis, the total appraised market value of properties of the Target Group as at 31 March 2016 is RMB3,728,000,000;
- (iv) The aforesaid assumptions in (iii) are made for the purpose of enabling DTZ to make an assessment on the fair market value of Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project. However, such assumptions are of little relevance to the Outlets Projects being held as investment properties by the Enlarged Group, for which release of the “sale and transfer restrictions” is not necessary. The Enlarged Group will hold the Outlets Projects as investment properties which generate revenue primarily from leasing the outlet shop spaces therein to brand-name retailers; and
- (v) Despite the “sale and transfer restrictions”, each of Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project is physically existing, operational and revenue-generating, and therefore necessarily bears an actual market value as investment properties held for leasing. Not ascribing any commercial value to and thus not taking into account the true market value of Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project would, on the other hand, not be a fair and reasonable basis for the determination of the Consideration,

the Directors (excluding the Independent Board Committee whose view is set out in the section headed “Letter from the Independent Board Committee”) consider the Consideration fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Directors (including the Independent Board Committee) are of the view that the terms of the Acquisition Agreements, which have 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, taking into account, among other things, the terms and conditions of the Acquisition Agreements and the quality and size of the property portfolio held by the Target Companies.

LETTER FROM THE BOARD

Conditions precedent under the Acquisition Agreements

Completion of each of the Chuangxin Jianye Acquisition Agreement and the Huzhou Acquisition Agreement is conditional on the fulfilment (or, if applicable, the waiver) of the following conditions precedent:

- (a) the Company and BCL having entered into the Amended Non-Competition Deed;
- (b) approvals having been obtained from the Independent Shareholders at the EGM for, inter alia, (i) the Acquisition Agreements and the transactions contemplated thereunder; (ii) the issue of the CPS; (iii) the proposed grant of the Specific Mandate; and (iv) the Amended Non-Competition Deed;
- (c) approvals having been obtained from the independent shareholders of BCL at the extraordinary general meeting of BCL for, inter alia, (i) the Acquisition Agreements and the transactions contemplated thereunder; (ii) the Subscription; and (iii) the Amended Non-Competition Deed;
- (d) the acknowledgements, authorisations, consents, permissions, notifications or replies from competent governmental departments or authorities for the purpose of the Acquisition, and the necessary approvals, exemptions or permissions of the Stock Exchange in respect of the Acquisition having been obtained;
- (e) no relevant government, 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 relevant Acquisition Agreement;
- (f) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of the relevant Target Company and its subsidiaries having occurred since 31 December 2015;
- (g) the relevant Seller and the relevant Target Company having performed and complied with all agreements, obligations and conditions contained in the relevant Acquisition Agreement that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder;
- (h) the warranties given by the relevant Seller in the relevant Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to completion of the relevant Acquisition Agreement by reference to the facts and circumstances then existing;
- (i) the warranties given by the relevant Purchaser(s) in the relevant Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to completion of the relevant Acquisition Agreement by reference to the facts and circumstances then existing;

LETTER FROM THE BOARD

- (j) the relevant Purchaser(s) having completed due diligence on all business, legal and financial matters, and all such other matters as deemed necessary by the relevant Purchaser(s) in its/their absolute discretion, in relation to the relevant Target Company, and the relevant Purchaser(s) being satisfied with the results of such due diligence in its absolute discretion;
- (k) 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 the content and results of such valuation being satisfactory to the Company;
- (l) PwC 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 and the content and results of such audit being satisfactory to the Company;
- (m) each of the relevant Seller and the relevant Target Company having delivered to the relevant Purchaser(s) a certificate signed by one of its directors certifying that the conditions set out in paragraphs (d) to (h) above have been fulfilled; and
- (n) the simultaneous completion of the Subscription Agreement.

If any of the abovementioned conditions has not been fulfilled or waived by the relevant Purchaser(s) (in respect of the conditions set out in (f) to (h), (j) and (m) above) or waived by the relevant Seller (in respect of the conditions set out in (i) above), by 31 December 2016 (or such later date as the parties to the relevant Acquisition Agreement may agree in writing), the relevant Acquisition Agreement shall terminate and no party shall have any claim against the other, except in respect of any antecedent breach of the terms thereof. In respect of the conditions which may be waived (i.e. the conditions set out in paragraphs (f) to (h), (i), (j) and (m) above), in the event that they are not satisfied prior to completion of the relevant Acquisition Agreement, the relevant Purchaser(s) or Seller (as the case may be) may elect to waive such conditions where the impact of such waiver is immaterial and does not affect the substance of the Acquisition. The conditions set out in paragraphs (a) to (e), (k), (l) and (n) above are not waivable by the parties to the Chuangxin Jianye Acquisition Agreement and the Huzhou Acquisition Agreement.

As at the Latest Practicable Date, the conditions set out in paragraphs (a), (k) and (l) above have been fulfilled, and the parties to the respective Acquisition Agreement are not aware of any facts or circumstances that will render the conditions set out in paragraphs (e), (f), (h) and (i) above not to be fulfilled upon completion of the relevant Acquisition Agreement. The Amended Non-Competition Deed has been entered into between the Company and BCL on 28 June 2016.

Completion of the Shareholder Loan Transfer Agreement is conditional upon completion of the Chuangxin Jianye Acquisition Agreement, which is not waivable by the parties to the Shareholder Loan Transfer Agreement.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT AND THE ISSUE OF THE CPS

(a) Subscription Agreement

Date

8 June 2016

Parties

BECL Investment (as the subscriber) and the Company (as the issuer)

Subject matter

BECL Investment has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 905,951,470 CPS at the Issue Price.

Consideration

The consideration for the Subscription Agreement shall be HK\$2,518,545,086, based on 905,951,470 CPS to be subscribed at the Issue Price. All proceeds arising from the issue of the CPS pursuant to the Subscription Agreement will be used by the Company for the purpose of funding and settlement of the Consideration payable by the Company pursuant to the Acquisition Agreements.

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

- (a) approvals having been obtained from the Independent Shareholders at the EGM for, inter alia, (i) the Subscription Agreement, (ii) the proposed grant of the Specific Mandate; and (iii) the re-designation and re-classification of the authorised share capital of the Company and the creation of the CPS;
- (b) approval having been obtained from the independent shareholders of BCL at the extraordinary general meeting of BCL for, inter alia, the Subscription by BECL Investment of the CPS;
- (c) all necessary licences, consents, approvals, authorisations, permissions, waivers, notices, orders, exemptions or notifications of, among others, relevant third parties and/or governmental or regulatory authorities or bodies, which are required for the execution and performance of the Subscription Agreement or completion of the same having been obtained and not having been revoked prior to completion of the Subscription Agreement;

LETTER FROM THE BOARD

- (d) 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 date of completion of the Subscription Agreement;
- (e) 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; and
- (f) simultaneous completion of the Acquisition Agreements.

If any of the abovementioned conditions has not been fulfilled (or waived by BECL Investment in respect of the condition set out in paragraph (d) above only) by 31 December 2016 (or such later date as the parties to the Subscription Agreement may agree in writing), the Subscription Agreement shall terminate and no party shall have any claim against the other, except in respect of any antecedent breach of the terms thereof. In respect of the condition which can be waived (i.e. the condition set out in paragraph (d) above), in the event that such condition is not satisfied prior to completion of the Subscription Agreement, BECL Investment may elect to waive such condition where the impact of such waiver is immaterial and does not affect the substance of the Subscription. The conditions set out in paragraphs (a) to (c), (e) and (f) above are not waivable by the parties to the Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions, as applicable, has been fulfilled, and the parties to the Subscription Agreement are not aware of any facts or circumstances that will render the condition set out in paragraph (d) above not to be fulfilled upon completion of the Subscription Agreement. Accordingly, the condition set out in paragraph (d) above is not waived or intended to be waived.

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.

As at the Latest Practicable Date, the Company has in issue 738,130,482 limited-voting non-redeemable convertible preference shares the major terms of which are summarised in the circular of the Company dated 26 November 2014. For the purpose of allotting and issuing the CPS with the major terms summarised in the paragraph headed “Information on the CPS and the Conversion Shares – the CPS” below, the Company will also propose a resolution at the EGM for the re-designation and re-classification of the authorised share capital of the Company and the creation of the CPS. Subject to passing of such resolution, the existing 738,130,482 limited-voting non-redeemable convertible preference shares in the share capital of the Company will be re-designated as Class A limited-voting non-redeemable convertible preference shares and the CPS to be issued will be designated as Class B limited-voting non-redeemable convertible preference shares. Accordingly upon Completion, the share capital of the Company will comprise the Shares, Class A Convertible Preference Shares and the CPS.

The Issue Price

The Issue Price was determined at after arm’s length negotiations between the Company and BECL Investment, having regard to, among other things, the closing price of the Shares immediately before the entering into of the Subscription Agreement (being HK\$2.61 per Share), the audited consolidated net asset value per share (taking into account the total Shares and convertible preference shares of the

LETTER FROM THE BOARD

Company in issue) of the Company as at 31 December 2015 (being HK\$2.53 per share), the terms and conditions of the Acquisition Agreements and the Subscription Agreement, the benefits of the Acquisition for the Enlarged Group in terms of synergy between the Outlets Projects and other outlets-backed commercial integrated projects of the Enlarged Group and the benefits of the Disposal for BCL Group in terms of consolidation of management and operation of outlets-backed commercial integrated projects under the Enlarged Group. The Directors consider that the terms of the Subscription are on normal commercial terms and that such terms and the Issue Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole based on current market conditions.

The Issue Price of HK\$2.78 per CPS represents:

- (a) a premium of approximately 6.51% to the closing price of the Shares of HK\$2.61 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 12.10% 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\$2.48 per Share;
- (c) a premium of approximately 12.55% 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\$2.47 per Share;
- (d) a premium of approximately 11.65% 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\$2.49 per Share;
- (e) a discount of approximately 5.44% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$2.94 per Share; and
- (f) a premium of approximately 9.88% over the audited consolidated net asset value per share (taking into account the total Shares and convertible preference shares of the Company in issue) of the Company as at 31 December 2015.

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 under the Acquisition Agreements and the Subscription Agreement set out 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.

Upon Completion, each of the Target Companies will become a wholly-owned subsidiary of the Company. The Target Group is primarily engaged in the development and operation of outlets-backed commercial integrated projects and has a portfolio of three integrated outlets projects located in Beijing, Kunshan and Huzhou in the PRC. Please refer to the paragraph headed “Information on the Target Group” below for further information of the business and financial information of the Target Group.

LETTER FROM THE BOARD

As at the Latest Practicable Date, BCL holds four outlets-backed commercial integrated projects, including the Outlets Projects. Upon Completion, BCL will no longer hold any outlets-backed commercial integrated projects, save for Hainan Integrated Outlets Project which BCL shall hold until such time it is sold to third parties and/or the Enlarged Group. The Hainan Integrated Outlets Project has not been included as part of the Acquisition, as the joint venture partner of BCL in the Hainan Integrated Outlets Project has initiated discussions on reviewing the shareholding structure of the project, including potential sale(s) or acquisition(s). As the process of negotiations is expected to incur further time and uncertainty, BCL and the Company have decided to proceed with the Acquisition first. During the interim period of six months after the Completion, operations of Hainan Integrated Outlets Project shall be entrusted to the Enlarged Group. The purpose of the entrustment arrangement is for the Hainan Integrated Outlets Project to be operated and managed by the Enlarged Group, so as to be in line with the re-aligned business positioning of the Enlarged Group and BCL Group in the non-Target Cities after Completion, details of which are set out under “Amended Non-Competition Deed” below.

Pursuant to the terms of the Hainan Entrustment Agreement, BCL Group shall entrust to the Enlarged Group, among others, leasing, marketing and property management of the Hainan Integrated Outlets Project and shall pay a management fee computed based on 1.5% of the total sales of the Hainan Integrated Outlets Project for the entrustment period, subject to a cap of RMB2,400,000 to the Enlarged Group. When determining the management fee and the cap for the entrustment period, which is expected to be around six months after Completion, the parties have taken into account as reference, the historical total sales of the Hainan Integrated Outlets Project for the second half of the year 2015. The 1.5% has been determined with reference to other outlets-backed commercial integrated projects invested by the Group and third-parties, for which the Group provides similar leasing, marketing and property management services. As each of the applicable percentage ratios is less than 5% and the total consideration is less than HK\$3,000,000, the Hainan Entrustment Agreement and the transactions contemplated thereunder constitute de minimis continuing connected transactions fully exempt under Chapter 14A of the Listing Rules.

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. BECL Investment will remain as the controlling shareholder of the Company under the Listing Rules.

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 will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

The CPS

The major terms of the CPS are as follows:

Nominal value:	Limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each in the share capital of the Company
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-redeemable by the Company or their holders
Preferred Distribution:	Subject to compliance with all applicable laws, the Articles and the paragraph headed “Deferral or Non-payment of Preferred Distribution” below, each CPS shall confer on its holder the right to receive a preferred distribution (“ Preferred Distribution ”) from the date of the issue of the CPS at a rate of 0.01% per annum on the Issue Price, payable annually in arrear. Each Preferred Distribution is noncumulative
Deferral or Non-payment of Preferred Distribution:	The Board may, in its sole discretion, elect to defer or not to pay a Preferred Distribution. No interest accrues on any unpaid Preferred Distribution. If the Board elects to defer or not to pay a Preferred Distribution, the Company shall not pay any dividends, distributions or make any other payment on any Shares, unless at the same time it pays to the holders of CPS any deferred or unpaid Preferred Distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made

LETTER FROM THE BOARD

Dividend:	Each CPS shall confer on its holder the right to receive, in addition to the Preferred Distribution, any dividend <i>pari passu</i> with holders of the Class A Convertible Preference Shares (on an as converted basis) and the Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis
Distribution of assets:	The holders of the CPS rank <i>pari passu</i> with holders of the Class A Convertible Preference Shares but shall have priority over the holders of the Shares 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)
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, distribution entitlements upon liquidation, winding-up or dissolution of the Company and the Preferred Distribution set out in the manner above, each CPS shall have the same rights as each of the Shares and Class A Convertible Preference Shares. The Conversion Shares will be issued as fully paid and will rank <i>pari passu</i> in all respects with the Shares in issue as at the date of the conversion
Adjustment:	If and whenever the Shares are consolidated or subdivided 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 will be made by the Company to the Listing Committee for the listing of, an permission to deal in, the Conversion Shares

LETTER FROM THE BOARD

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; (iii) the holders of the CPS will rank *pari passu* with Class A Convertible Preference Shares but have priority in distribution of assets on liquidation, winding-up or dissolution of the Company; and (iv) the holders of the CPS are entitled to receive Preferred Distribution and accordingly, the holders of the CPS are less akin to Shareholders and as such, the CPS shall not be included when calculating the public float of the Company. The holder of Class A Convertible Preference Shares has given its consent to the re-designation and the reclassification of the authorised share capital of the Company and the creation of the CPS.

As at the Latest Practicable Date, the Company has limited-voting non-redeemable convertible preference shares in issue which are proposed to be re-designated as Class A Convertible Preference Shares in issue in its share capital, the major terms of which are set out in the circular of the Company dated 26 November 2014. The holder of such existing limited-voting non-redeemable convertible preference shares has given its consent to the Re-designation and the Re-classification of the authorised share capital of the Company and the creation of the CPS. The rights attached to the CPS and the Class A Convertible Preference Shares are the same, save and except in relation to the entitlement of the holders of the CPS to receive Preferred Distribution.

AMENDED NON-COMPETITION DEED

The BCL Group has substantial interest in the PRC property market. In order to minimise any potential competition between the businesses of BCL Group and the Group, BCL and the Company entered into the Non-Competition Deed on 13 November 2014, the key terms of which are summarised below. Please refer to the circular of the Company dated 26 November 2014 for further details.

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

Pursuant to the Non-Competition Deed, BCL has undertaken in favour of the Company (for itself and on behalf of its subsidiaries) that during the term of the Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall (other than through the 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.

(b) 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 undertaken in the Non-Competition Deed in favour of BCL (for itself and on behalf of its subsidiaries) that 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.

LETTER FROM THE BOARD

In order for the Company to operate the Outlets Projects in Beijing, Kunshan and Huzhou in the PRC after Completion and to facilitate the Company in becoming a nation-wide outlets operator in the PRC, the Company and BCL replaced the Non-Competition Deed by entering into the Amended Non-Competition Deed on 28 June 2016 pursuant to which:

- 1) BCL conditionally undertakes in favour of the Company (for itself and on behalf of its subsidiaries) that during the term of the Amended 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 (a) any Property Business in any of the Target Cities and (b) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities, save for Hainan Integrated Outlets Project until BCL ceases to hold any interest therein; and
- 2) the Company conditionally undertakes in favour of BCL (for itself and on behalf of its subsidiaries) that during the term of the Amended 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, save and except for: (i) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities; and (ii) the leasing, operation and management of any retail portion(s) in the property projects of BCL Group held as investment properties, where BCL Group offers to entrust or grants a first right of refusal in favour of the Enlarged Group to entrust such retail portion(s) to the Enlarged Group for leasing, operation and management in accordance with the entrustment agreement(s) to be entered into by the parties from time to time.

The above-mentioned entrustment(s) or grant of first right(s) of refusal in favour of the Enlarged Group further delineates the businesses of the Enlarged Group and BCL Group on an operation level and allows the Enlarged Group to apply its expertise in outlets operations to other retail properties. In the event of such entrustment or grant of first right(s) or refusal arrangement(s), BCL Group as landlord will entrust to the Enlarged Group, the operations of the relevant retail portions of property projects, including leasing, marketing and property management, and pay annual management fee(s) to the Enlarged Group, based on agreed percentage(s) of the rents payable by the tenants of such retail properties. Terms of the entrustment arrangement(s) will be subject to definitive entrustment agreement(s) to be entered into by the parties. The entrustment agreement(s), when entered into, and the entrustment arrangement(s) contemplated thereunder will constitute continuing connected transaction(s) of the Company, subject to applicable requirements under Chapter 14A of the Listing Rules. In the event that any first right(s) of refusal is granted by BCL Group in favour of the Enlarged Group, the decision whether to take up such first right(s) of refusal by the Enlarged Group will be determined by the Board (including independent non-executive Directors) and if the first right(s) of refusal is not taken up by the Enlarged Group, BCL Group will have the discretion to engage third-party operators or take up such operations itself.

The Amended Non-Competition Deed is conditional upon inter alia, (i) the approvals of the independent shareholders of both the Company and BCL of the Amended Non-Competition Deed; (ii) the completion of the Acquisition pursuant to the Acquisition Agreements; and (iii) the approvals of the independent non-executive directors of both the Company and BCL of the Amended Non-Competition Deed. In the event that the conditions of the Amended Non-Competition Deed (which are not waivable by the parties thereto) are not fulfilled by 31 December 2016 (or such later date as the parties to the Amended Non-Competition Deed may agree in writing), the Amended Non-Competition Deed shall terminate and cease to have effect on any parties thereto.

LETTER FROM THE BOARD

Upon the conditions under the Amended Non-Competition Deed being fulfilled, the Company (and any of its subsidiaries) shall have the right to directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any development, sale, lease and management of outlets-backed commercial integrated projects in the non-Target Cities in the PRC (including but not limited to the Outlets Projects in Beijing, Kunshan and Huzhou).

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

The Directors consider the Acquisition and the issue of the CPS to be in the interests of the Company for the following reasons:

- (a) The Enlarged Group will strengthen its position as an oversea-incorporated listed platform of BCL focusing on outlets-backed commercial integrated projects in certain selected cities in the PRC**

Through the Acquisition, the Enlarged Group will expand its property portfolio by acquiring from BCL three outlets-backed commercial integrated projects located in Beijing, Huzhou and Kunshan. With the addition of such property projects to the Group's existing property portfolio, the Acquisition will have an effect of strengthening the position of the Company as the overseas listed platform of BCL, primarily focusing on the development, sale, lease and management of outlets backed commercial integrated projects in the PRC and facilitating the Enlarged Group in becoming a nation-wide outlets operator in the PRC.

- (b) The Enlarged Group will have a larger property portfolio with a potential to attain a steadier and more sustainable return**

The outlets-backed commercial integrated projects to be acquired by the Group, which have a steady performance in the past and a growth potential, will significantly increase the size of the property portfolio and total assets of the Enlarged Group. The Acquisition will also enhance the ability of the Enlarged Group to attain a steadier and more sustainable return from such projects and provide a solid foundation for future development of other outlets-backed commercial integrated projects of the Enlarged Group.

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

The increased size of the property portfolio and total assets of the Enlarged Group will facilitate the Enlarged Group to attract investments and obtain future equity, equity-linked and debt financing through the Company, which will in turn optimise the debt equity structure of the Enlarged Group and facilitate further financing. Furthermore, with a larger property portfolio, 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 stronger capability to raise funds to develop its business so as to create value for its Shareholders.

LETTER FROM THE BOARD

(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 BECL Investment 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.

Having regard to the reasons for and benefits of the Acquisition and the issue of the CPS to the Group, the Directors are of the view that the Acquisition and the issue of the CPS are in the interests of the Company and the Shareholders as a whole. The Directors are also of the view that the terms of the Acquisition Agreements and the Subscription Agreement, which have 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.

IMPLICATIONS UNDER THE LISTING RULES FOR THE COMPANY

As one or more of the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

BCL is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Renowned Brand is an associate of BCL and therefore also a connected person of the Company. Therefore, the Acquisition 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.

The issue of the CPS constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules as BECL Investment, 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 GRANT OF THE SPECIFIC MANDATE

The Company will issue the CPS (which are convertible into the Conversion Shares on a 1:1 conversion ratio) to BECL Investment 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.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE PURCHASERS

The Company was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1329). The Company is an investment holding company and the Group is principally engaged in commercial property development, with focus on the development of outlets-backed commercial integrated projects in selected cities in the PRC.

Each of Shanghai Juque and Shanghai Juxin is an investment holding company incorporated in the PRC and is indirectly wholly-owned by the Company.

Capital Juda is an investment holding company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by the Company.

INFORMATION ON BCL, BECL INVESTMENT AND RENOWNED BRAND

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 integrated leading real estate developer in the PRC, focusing on residential properties, outlets-backed integrated properties, urban core integrated complexes and primary land development. By coordination of integrated complexes and each line of business, the Company aims at building the core competitiveness and achieving competition differentiation.

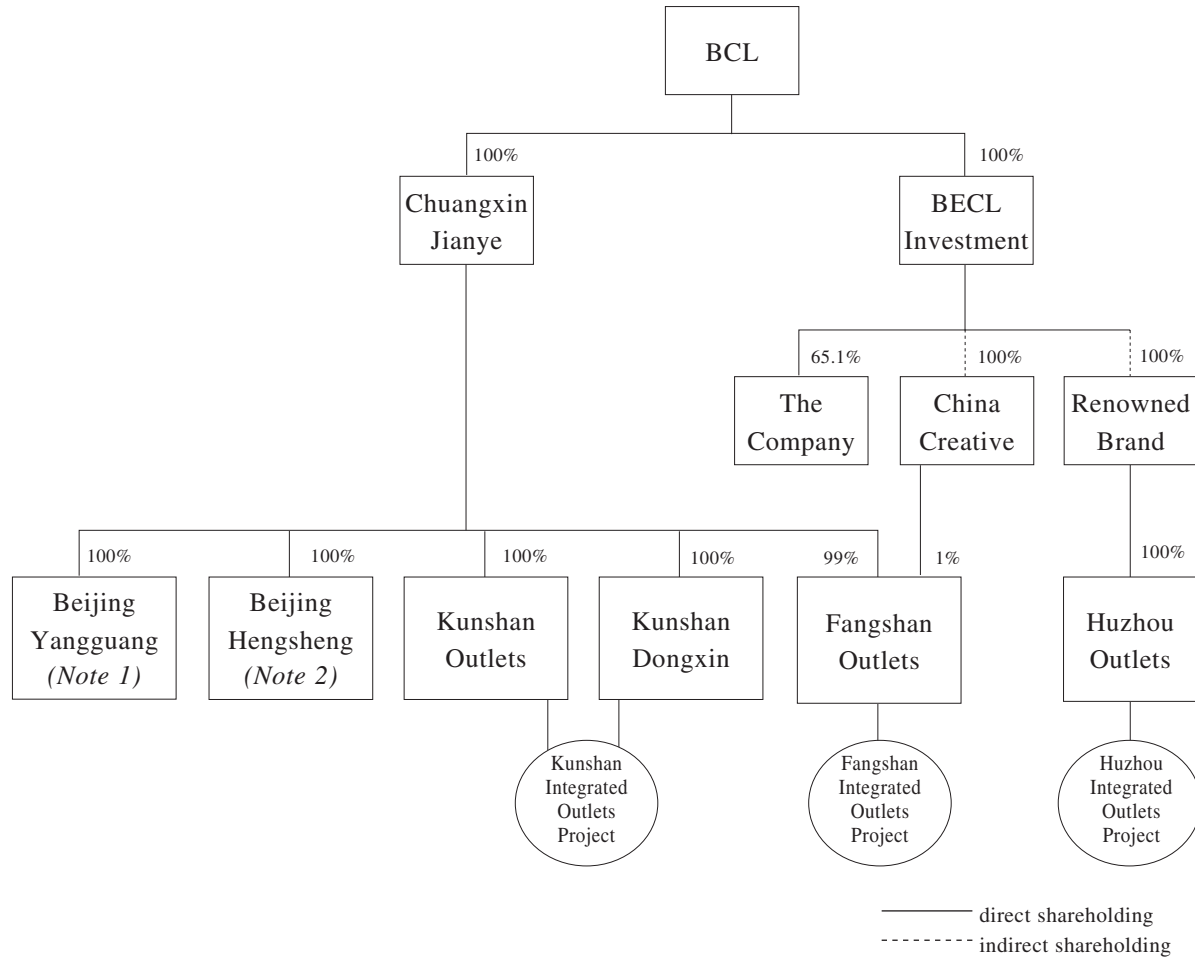
BECL Investment is an investment holding company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of BCL. BECL Investment is also the controlling shareholder of the Company.

Renowned Brand is an investment holding company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by BCL.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET GROUP

Corporate structure of the Target Group as at the date of the Acquisition Agreements

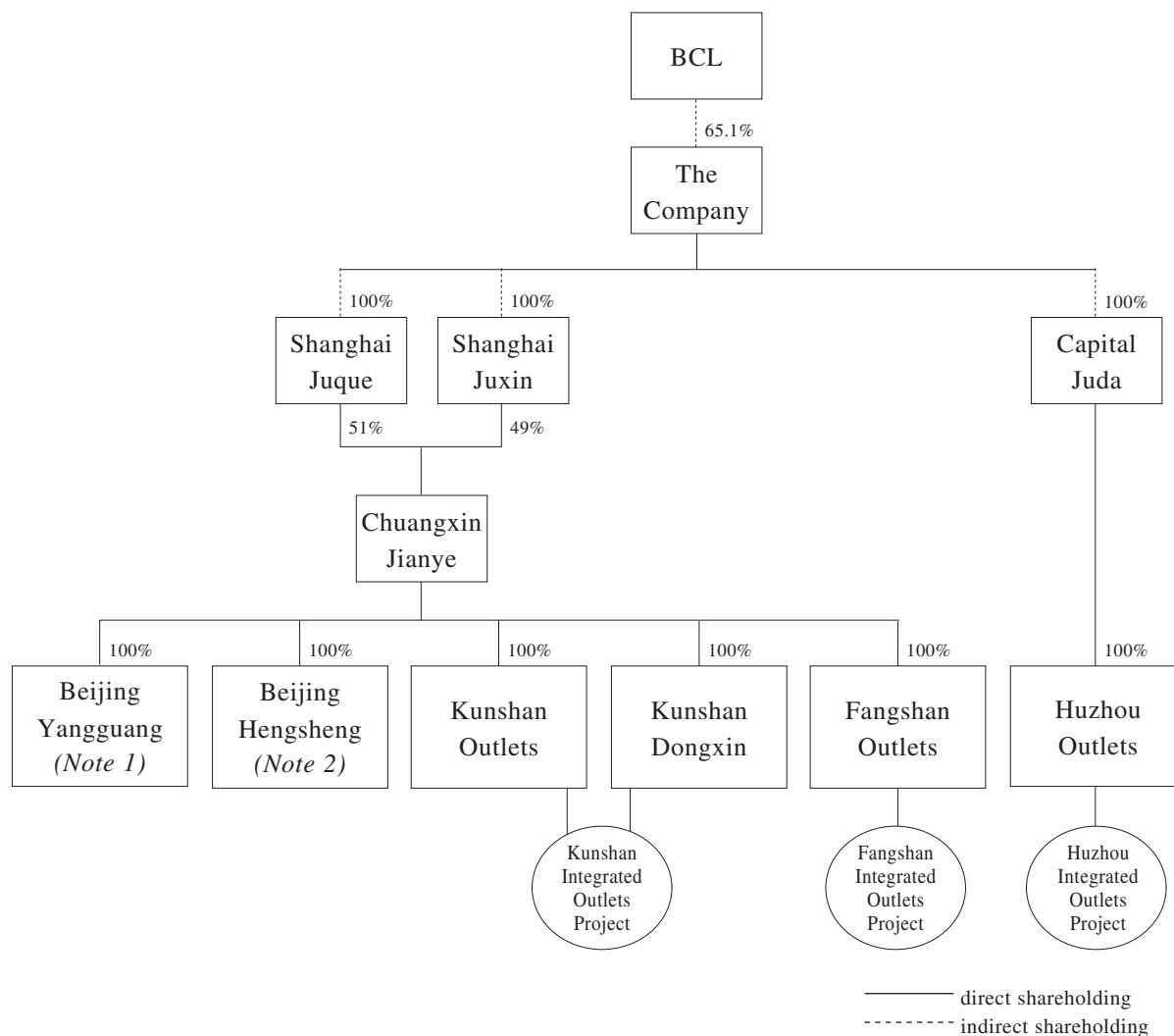


Notes:

- (1) As at the Latest Practicable Date, Beijing Yangguang does not hold any properties or trademarks or have any operating activities.
- (2) Beijing Hengsheng is the registered holder of the registered trademarks “Capital Outlets”, “Capitol Outlets” and “瀾錦滙” in the PRC, apart from which it does not have any operating activities as at the Latest Practicable Date.

LETTER FROM THE BOARD

Corporate structure of the Target Group upon Completion



Notes:

- (1) As at the Latest Practicable Date, Beijing Yangguang does not hold any properties or trademarks or have any operating activities. It is envisaged that Beijing Yangguang will be used for provision of outlets leasing and management services.
- (2) Beijing Hengsheng is the registered holder of the registered trademarks “Capital Outlets”, “Capitol Outlets” and “瀾錦滙” in the PRC, apart from which it does not have any operating activities as at the Latest Practicable Date.

Business of the Target Group

The Target Group is primarily engaged in the development and operation of outlets-backed commercial integrated projects. It has a portfolio of three integrated outlets projects located in Beijing, Kunshan and Huzhou in the PRC and related trademarks.

LETTER FROM THE BOARD

Overview of the property projects of the Target Group

(i) *Fangshan Integrated Outlets Project*

Fangshan Integrated Outlets Project is an integrated project comprising street-level outlet shops, a multi-storey outlets complex, food and beverages facilities for leases and car parking spaces. This project, located in Changyang Town, Fangshan District, Beijing, is in close proximity to Changyang West Station of Fangshan line of the intercity railway and is only a 30-minute drive from Financial Street in Beijing via Beijing-Shijiazhuang Expressway.

Fangshan Integrated Outlets Project will be developed in two phases. Phase 1, completed in May 2013, comprises 258 street-level outlet shops for lease. Construction of Phase 2, which comprises a multi-storey outlets complex and car parking spaces, is expected to commence in the second half of 2016. As at 31 December 2015, this project occupied a total site area of 90,766 sq.m. with an estimated total GFA of 196,837 sq.m..

For the 258 outlet shops in Phase 1 of Fangshan Integrated Outlets Project, as at the Latest Practicable Date, 242 outlet shops were rented out, representing an occupancy rate of approximately 94%.

Fangshan Integrated Outlets Project is owned and developed by the project company, Fangshan Outlets. As at 31 December 2015, the total development costs incurred in relation to the development of this project amounted to approximately RMB1,088 million of which RMB5 million remains to be paid as at the Latest Practicable Date, which shall be funded by the proceeds from the Placing(s) and/or external bank borrowings.

(ii) *Huzhou Integrated Outlets Project*

Huzhou Integrated Outlets Project is an integrated project comprising street-level outlet shops, food and beverages facilities for lease and a budget hotel. This project is situated at the center of the southern Taihu Lake tourist district in Huzhou, Zhejiang Province and Binhu Road runs through the whole project.

Outlet shops of the Huzhou Integrated Outlets Project are divided into Phase 1 and Phase 2, the former comprising 164 outlet shops and the latter comprising 138 outlet shops. This project also comprises a budget hotel, the construction of which has not yet commenced. As at 31 December 2015, this project occupied a total site area of 302,693 sq.m. with an estimated total GFA of 300,496 sq.m..

For the 164 outlet shops in Phase 1 of Huzhou Integrated Outlets Project, as at the Latest Practicable Date, 91 outlet shops were rented out, representing an occupancy rate of approximately 55%.

Huzhou Integrated Outlets Project is owned and developed by the project company, Huzhou Outlets. As at 31 December 2015, the total development costs incurred in relation to the development of this project amounted to approximately RMB687 million of which RMB53 million remains to be paid as at the Latest Practicable Date, which shall be funded by the proceeds from the Placing(s) and/or external bank borrowings.

LETTER FROM THE BOARD

(iii) Kunshan Integrated Outlets Project

Kunshan Integrated Outlets Project, located at south-east corner of the east new town of Kunshan City, Jiangsu Province, comprises street-level outlet shops, food and beverages facilities for lease and car parking spaces and has nearly 40% green space ratio. Alongside the south high technology enterprise park, it is accompanied with a large customer base and market demand.

This project will be developed in two phases. Phase 1, comprising 175 outlet shops for lease, was completed in June 2015 and has opened in September 2015. Phase 2, comprising 178 outlet shops for lease, is still under development and is expected to be completed in the fourth quarter of 2016. As at 31 December 2015, this project occupied a total site area of 93,026 sq.m. with an estimated total GFA of 99,773 sq.m..

For the 175 outlet shops in Phase 1 of Kunshan Integrated Outlets Project, as at the Latest Practicable Date, 136 outlet shops were rented out, representing an occupancy rate of 78%.

Phase 1 of Kunshan Integrated Outlets Project is owned and developed by the project company, Kunshan Outlets and Phase 2 of the project is owned and developed by the project company, Kunshan Dongxing. As at 31 December 2015, the total development costs incurred in relation to the development of this project amounted to approximately RMB620 million of which RMB20 million remains to be paid as at the Latest Practicable Date, which shall be funded by the proceeds from the Placing(s) and/or external bank borrowings.

The Outlets Projects will be held by the Enlarged Group as investment properties which generate revenue primarily from leasing the outlet shop spaces therein to brand-name retailers (including renowned international and domestic retail brands selling apparels, footwear, bags etc. and/or food and beverages operators) and managing supporting facilities (e.g. car parking spaces) for the purposes of outlets operations. The Outlets Projects are targeted at shoppers and families who are looking for leisure shopping and tourism experiences at the suburban area of the city and who are willing to make a trip for the discounted brand-name products.

Future development plan and capital commitments

The construction of Phase 2 of Fangshan Integrated Outlets Project is expected to commence in the second half of 2016, in connection to which approximately RMB181 million development costs is currently expected to be further incurred by September 2017. The construction of Phase 2 of Kunshan Integrated Outlets Project is in progress and currently expected to complete in the fourth quarter of 2016, in connection to which approximately RMB261 million development costs remains to be paid. In preparation for opening of business, approximately RMB50 million is further required as expenses for renovation and leasing for tenants for Kunshan Integrated Outlets Project. In addition to development costs, the Target Group has an aggregate of approximately RMB525 million bank loans which will mature before September 2017.

The above-mentioned capital commitments are proposed to be funded by the proceeds from Placing(s). In the event that the Placing(s) does not proceed or the proceeds from the Placing(s) are less than expected, the Enlarged Group may satisfy the above capital needs by way of bank or other borrowings.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Phase 2 of the Huzhou Integrated Outlets Project is currently expected to complete construction in the first half of 2017 and commence business before the end of 2017.

Financial information of each of the Target Companies

The audited profit before and after tax of each of the Target Companies for each of the three years ended 31 December 2013, 2014 and 2015 and the audited net asset value of each of the Target Companies as at 31 December 2015 were as follows:

	For the year ended 31 December		
	2013	2014	2015
	(RMB' million)	(RMB' million)	(RMB' million)
Chuangxin Jianye			
Profit before tax	(62)	131	465
Profit after tax	(56)	97	349
Net asset value			689
Huzhou Outlets			
Profit before tax	(362)	66	(73)
Profit after tax	(271)	47	(55)
Net asset value			461

The total acquisition costs paid by BCL Group with respect to, and capital contribution made by BCL Group into, the Target Group were approximately RMB1,277 million.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW SHARES

Specific Placing Mandate relating to Placing(s)

In order to strengthen the financial position of the Group, to enlarge the shareholder and capital base and to increase the public float of the Company, the Company proposed to seek the approval from the Independent Shareholders at the EGM for the proposed Specific Placing Mandate relating to the Placing(s) for the Board to issue not more than 790 million new Shares, representing (i) not more than approximately 395% of the issued Shares of the Company as at the Latest Practicable Date; and (ii) not more than 30% of the total issued Shares of the Company as enlarged by the conversion of all CPS and Class A Convertible Preference Shares held by BECL Investment and the issuance of the new Shares pursuant to the Placing(s).

Subject to approval by the Independent Shareholders at the EGM of the Acquisition, the Board proposes to seek the grant of the Specific Placing Mandate from the Independent Shareholders at the EGM for the purpose of the Placing(s). The major terms and conditions of the Specific Placing Mandate are as follows:

- (a) to issue not more than 790 million new Shares;

LETTER FROM THE BOARD

- (b) the placing price will not be at a discount of more than 20% of the higher of:
 - (i) the closing price of the Shares as quoted on the Stock Exchange on the date of signing of the relevant placing agreement; and
 - (ii) the average closing price of the Shares as quoted on the Stock Exchange for five trading days immediately prior to the earlier of:
 - (A) the date of announcement of the Placing(s);
 - (B) the date of the relevant placing agreement; and
 - (C) the date on which the placing price of the Placing(s) is fixed;
- (c) the placing price in any event will not be less than HK\$2.78 per Share which was determined by reference to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date, which represents:
 - (i) a discount of approximately 5.44% to the closing price of HK\$2.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (ii) a discount of approximately 6.08% to the average closing price of approximately HK\$2.96 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date; and
 - (iii) a premium of approximately 6.51% to the closing price of HK\$2.61 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) the grant of the Specific Placing Mandate is subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM approving such grant;
- (e) the issue of new Shares pursuant to the Specific Placing Mandate will be conditional upon Completion;
- (f) the proposed Specific Placing Mandate is for the period from the passing of the relevant resolution in the EGM up to the earlier of:
 - (i) the date falling three calendar months after the date of the passing of the aforesaid resolution at the EGM; or
 - (ii) the revocation or variation of the authority given under the relevant resolution(s) at the EGM by ordinary resolution(s) of the Independent Shareholders in a general meeting of the Company.

LETTER FROM THE BOARD

The placing price and the other terms and conditions of the Placing(s) shall be agreed upon by the Company and the placing agent(s) subject to placing agreement(s) to be entered into by the Company.

Investors should note that as at the Latest Practicable Date, no placing agreement has been signed. Accordingly, the particulars of the Placing(s) are for illustrative purpose only and the actual price per Share and the funds to be raised by the issue of the new Shares under the Placing(s) may be different from the indicative figures as stated in this circular. Depending on market conditions, the Directors may or may not exercise the proposed Specific Placing Mandate, if granted, to issue the new Shares.

Reasons for the Placing(s) and proposed use of proceeds

The proposed issue of the new Shares under the Placing(s), if any, will allow the Company to broaden the capital and shareholder base of the Company by issuing new Shares to strategic and other investors who recognise the value and potentials of the Enlarged Group and are interested in making an investment in the Enlarged Group. The Placing(s) will also enable the increase of the overall liquidity of the Shares and raise capital for the Enlarged Group's future operations. The Company is seeking the Specific Placing Mandate as, based on discussions with potential placing agent(s), that it is not practicable to have a placing agreement signed prior to the despatch of this circular, given the size of the equity fund raising contemplated through the Placing(s) and the requirement of placing agent(s) to minimise the period between pricing and completion of an equity issue. Details on the Placing Specific Mandate and the Placing(s) will be set out by way of separate announcement to be published by the Company on or around despatch of this circular.

Proposed use of proceeds

The actual size of funds to be raised from the Placing(s) will depend upon the number of new Shares to be issued and the placing price.

On the assumption that the new Shares are to be issued at a price of HK\$2.78 per Share under the Placing(s) (being the minimum placing price), the gross proceeds (before deducting the expenses and commission in relation to the Placing(s)) from the issue of 790 million Shares (the maximum Shares that the Company may issue pursuant to the Specific Placing Mandate (if granted)) will be approximately HK\$2,196 million (approximately RMB1,800 million subject to exchange rate fluctuations). Such proceeds shall be applied as follows:

- (a) RMB78 million, representing approximately 4.33% of the gross placing proceeds, will be used towards the payment of development costs incurred in relation to the Outlets Projects as at 31 December 2015 but remain to be paid as at the Latest Practicable Date;
- (b) RMB492 million, representing approximately 27.33% of the gross placing proceeds, will be used towards the payment of development costs (comprising capital expenditure for the construction of phases two of Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project) and expenses in renovation and leasing for tenants;

LETTER FROM THE BOARD

- (c) RMB525 million, representing approximately 29.17% of the gross placing proceeds, will be used towards the repayment of certain bank loans of the Target Group;
- (d) RMB525 million, representing approximately 29.17% of the gross placing proceeds, will be used towards the payment of development costs (comprising capital expenditure for the construction of outlets-backed commercial integrated projects of the Enlarged Group in Nanchang, Wuhan and Hangzhou) and expenses in renovation and leasing for tenants; and
- (e) RMB180 million, representing approximately 10.00% of the gross placing proceeds, for the general working capital and activities of the Enlarged Group.

The funding requirements in connection with the Outlets Projects and/or the Target Group referred to in paragraphs (a) to (c) above are expected to be payable within 12 months after Completion and the aggregate proceeds to be applied towards settlement of such funding needs represents approximately 60.83% of the gross placing proceeds. In connection with the Fangshan Integrated Outlets Project, of paragraphs (a) and (b) above, approximately RMB5 million (of the total RMB78 million) is expected to be applied to settle development costs for Phase 1 of the Fangshan Integrated Outlets Project incurred as at 31 December 2015 but remains to be paid as at the Latest Practicable Date, and approximately RMB181 million (of the total RMB492 million) is expected to be applied towards further development costs to be incurred for Phase 2 of the Fangshan Integrated Outlets Project, which is expected to commence construction in the second half of 2016. In connection with the Kunshan Integrated Outlets Project, of paragraphs (a) and (b) above, approximately RMB20 million (of the total RMB78 million) is expected to be applied to settle development costs for Phase 1 of the Kunshan Integrated Outlets Project incurred as at 31 December 2015 but remains to be paid as at the Latest Practicable Date, and approximately RMB261 million (of the total RMB492 million) is expected to be applied towards further development costs to be incurred for Phase 2 of the Kunshan Integrated Outlets Project, which is expected to complete construction in the fourth quarter of 2016, and a further RMB50 million (of the total RMB492 million) is expected to be applied towards expenses in renovation and leasing for tenants in preparation for opening of business.

In connection with the application of proceeds referred to in paragraph (d) above, the construction of outlet shops and ancillary car-parking facilities in the outlets-backed commercial integrated projects in Nanchang, Wuhan and Hangzhou is currently scheduled to commence in the second half of 2016 and expected to complete in or around September 2017. Of the total RMB525 million, approximately RMB133,900,000, RMB121,500,000 and RMB164,800,000 for each project in Nanchang, Wuhan and Hangzhou, respectively, is expected to be applied towards further development costs payable before completion of construction and approximately RMB35,600,000, RMB28,700,000 and RMB40,500,000 for each project in Nanchang, Wuhan and Hangzhou, respectively, is expected to be applied towards further expenses for renovation and leasing for tenants required in preparation for opening of business in or around the fourth quarter of 2017. Accordingly, given that the Enlarged Group needs to settle such development costs and expenses for opening of business referred to in paragraph (d) above within approximately 12 months from Completion, it is proposed that part of, being approximately 29.17%, of the gross proceeds from the Placing(s) be applied towards settlement of such funding needs.

LETTER FROM THE BOARD

Subject to prevailing market conditions, the Directors may or may not exercise the proposed Specific Placing Mandate, if granted, to issue new Shares and, where the proposed Placing Specific Mandate is exercised, may issue less than or up to 790 million new Shares. In the event that the Specific Placing Mandate is exercised but not in full or the gross proceeds from the Placing(s) are less than expected, the Directors will consider to adjust the allocation of such proceeds among the above-mentioned purposes. In the event that the Placing(s) does not proceed, the Enlarged Group may satisfy the above capital needs by way of bank or other borrowings. It is currently intended that, subject to the then prevailing market conditions, the Specific Placing Mandate sought will cover new Shares to be issued pursuant to one or more potential Placing(s) to be conducted by the Company. However, all the Placing(s) will be conducted at one single placing price as may be agreed between the Company and the relevant placing agent(s).

Possible application for listing

Upon the grant of the Specific Placing Mandate by the Independent Shareholders, in the event that the Board proceeds to exercise the Specific Placing Mandate to issue the new Shares pursuant to the Placing(s), the Company will apply to the Listing Committee for the listing of and permission to deal in all of the new Shares to be issued and placed pursuant to the Placing(s).

Sufficiency of public float

BECL Investment currently holds the Class A Convertible Preference Shares and will upon Completion, hold the CPS. The conversion by BECL Investment of the Class A Convertible Preference Shares and the CPS, if any, into new Shares, will be subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules, taking into account the issue of new Shares for the Placing(s).

Accordingly, if BECL Investment intends to convert the Class A Convertible Preference Shares and the CPS into new Shares, the issue of any such new Shares by the Company to BECL Investment pursuant to the conversion may complete simultaneously at the same time as the issue of new Shares to the placees pursuant to such Placing(s), provided always that the conversion of such number of Class A Convertible Preference Shares and the CPS would not result in the Company's failure to satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules immediately after the issue of the requisite number of new Shares pursuant to the conversion and the new Shares pursuant to the Placing(s). The Company will also ensure that none of the new Shares to be issued pursuant to the Placing(s) will be placed to connected person(s) of the Company and the Company will comply with the public float requirement under Rule 8.08 of the Listing Rules upon completion of the Placing(s) and/or conversion into new Shares by BECL Investment, if any.

Investors should be aware that the proposed Specific Placing Mandate may or may not be approved by the Independent Shareholders at the EGM. Even if the proposed Specific Placing Mandate are granted to the Board, the Placing(s) may or may not be proceeded with. Investors should therefore exercise caution when dealing in the securities of the Company.

LETTER FROM THE BOARD

EFFECT OF THE ACQUISITION, THE ISSUE OF THE CPS AND THE PLACING(S) ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Details of the shareholding structure of the Company as at (i) the Latest Practicable Date; (ii) immediately after Completion but before completion of the Placing(s) (assuming no Class A Convertible Preference Shares or CPS has been converted); (iii) for illustrative purpose only, immediately after Completion and completion of the Placing(s) (assuming no Class A Convertible Preference Shares or CPS has been converted); and (iv) immediately after completion of the Placing(s) (assuming all Class A Convertible Preference Shares and CPS have been converted into Shares), without taking into account any Shares that may be issued as a result of the exercise of any options granted under the share option scheme adopted by the Company on 14 March 2012, are set out below:

	As at the date of the Latest Practicable Date		Immediately after Completion but before completion of the Placing(s) (assuming no Class A Convertible Preference Shares or CPS has been converted)			Immediately after Completion and completion of the Placing(s) (assuming no Class A Convertible Preference Shares or CPS has been converted) (Note 1)			Immediately after completion of the Placing(s) and assuming all Class A Convertible Preference Shares and CPS have been converted into Shares (Note 2)		
	Number of Shares held	Approx.% of total issued Shares	Number of Class A Convertible Preference Shares held	Number of Shares held	Approx.% of total issued Shares	Number of Class A Convertible Preference Shares and CPS held	Number of Shares held	Approx.% of total issued Shares	Number of Class A Convertible Preference Shares and CPS held	Number of Shares held	Approx.% of total issued Shares
BECL Investment	130,200,000	65.1%	738,130,482	130,200,000	65.1%	1,644,081,952	130,200,000	13.2%	1,644,081,952	1,774,281,952	67.36%
BCG	19,800,000	9.9%	–	19,800,000	9.9%	–	19,800,000	2.0%	–	19,800,000	0.75%
Public	50,000,000	25.0%	–	50,000,000	25.0%	–	840,000,000	84.8%	–	840,000,000	31.89%
Total	<u>200,000,000</u>	<u>100%</u>	<u>738,130,482</u>	<u>200,000,000</u>	<u>100%</u>	<u>1,644,081,952</u>	<u>990,000,000</u>	<u>100%</u>	<u>1,644,081,952</u>	<u>2,634,081,952</u>	<u>100%</u>

Note:

1. The assumption of no conversion of Class A Convertible Preference Shares or CPS is for illustrative purpose only. Subject to sufficiency of public float, the issue of new Shares upon conversion by BECL Investment, if any, of Class A Convertible Preference Shares and CPS and the completion of the Placing(s) are expected to take place simultaneously to the effect that no implications under the Code on Takeovers and Mergers is expected.
2. The exercise of the conversion rights attaching to the Class A Convertible Preference Shares and the CPS is subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

LETTER FROM THE BOARD

THE EGM

The EGM will be proposed for the Shareholders to consider and, if thought fit, pass the requisite resolutions to approve, inter alia, the Acquisition, the Amended Non-Competition Deed, the issue of the CPS, the Re-designation and Re-classification, the proposed grant of the Specific Mandate and the Specific Placing Mandate. BECL Investment (holding 130,200,000 Shares, being 65.1% of the total issued Shares of the Company as at the Latest Practicable Date), BCG (holding 19,800,000 Shares, being 9.9% of the total issued Shares of the Company as at the Latest Practicable Date) and their respective close associates, and any person who has a material interest in the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are required to abstain from voting on the relevant resolutions to be proposed at the EGM. BECL Investment, BCG and their respective close associates will also voluntarily abstain from voting on the resolution approving the proposed grant of the Specific Placing Mandate to be proposed at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the Acquisition, the Amended Non-Competition Deed, the issue of the CPS, the Re-designation and Re-classification, the proposed grant of the Specific Mandate and the Specific Placing Mandate. Nevertheless, Mr. Tang Jun, Mr. Wang Hao and Mr. Li Songping have abstained from voting on the relevant Board resolution(s) approving the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate by virtue of their directorships in BCL.

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders in relation to, among other things, whether the terms of the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on voting (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser. The Company has, with the approval of the Independent Board Committee, appointed Ample Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to, among other things, the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate.

A notice convening the EGM to be held at 10:00 a.m. on Monday, 18 July 2016 at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and form of proxy are also enclosed herein.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for 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.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 39 to 40 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 41 to 74 of this circular, consider that the terms of the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate.

The Directors consider that the terms of the Acquisition, the Amended Non-Competition Deed, the issue of the CPS, the Re-designation and Re-classification, the proposed grant of the Specific Mandate and the Specific Placing Mandate are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the Amended Non-Competition Deed, the issue of the CPS, the Re-designation and Re-classification, the proposed grant of the Specific Mandate and the Specific Placing Mandate.

FURTHER INFORMATION

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

WARNING

The Acquisition and the issue of the CPS are subject to a number of conditions including the approvals by the independent shareholders of the Company and BCL respectively, which may or may not be fulfilled. In the event that any of the conditions to the Completion is not fulfilled, the Acquisition Agreements and the Subscription Agreement will not become unconditional and the Acquisition and the issue of the CPS will not proceed.

THE SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING OR CONTEMPLATING IN DEALING IN THE SHARES OR IN ANY OTHER SECURITIES OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
Beijing Capital Juda Limited
Tang Jun
Chairman

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, among others, the Acquisition (including the Amended Non-Competition Deed) and the issue of the CPS for inclusion in this circular.

CAPITAL JUDA
BEIJING CAPITAL JUDA LIMITED
首創鉅大有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1329)

30 June 2016

To the Independent Shareholders

Dear Sir or Madam,

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE OUTLETS PROJECTS**
- (2) ISSUE OF CONVERTIBLE PREFERENCE SHARES
AND CONNECTED TRANSACTION**
- (3) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO
THE CONVERTIBLE PREFERENCE SHARES**
- (4) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO PLACING**

We refer to the circular dated 30 June 2016 issued by the Company, of which this letter forms part of (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 Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate, details of which are set out in the section headed “Letter from the Board” contained in the Circular. Ample Capital 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 pages 41 to 74 of the Circular.

Having considered the terms and conditions of the Acquisition Agreements, the Amended Non-Competition Deed 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 the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate 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 Amended Non-Competition Deed, the issue of the CPS and the grant of the Specific Mandate at the EGM.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
Beijing Capital Juda 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 Ample Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among others, the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate, which has been prepared for the purpose of incorporation in this circular.

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited

Unit A, 14th Floor

Two Chinachem Plaza

135 Des Voeux Road Central

Hong Kong

30 June 2016

*To the Independent Board Committee and
the Independent Shareholders of
Beijing Capital Juda Limited*

Dear Sirs,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE OUTLET PROJECTS
(2) ISSUE OF CONVERTIBLE PREFERENCE SHARES
AND CONNECTED TRANSACTION
(3) PROPOSED GRANT OF SPECIFIC MANDATE IN RELATION TO
THE CONVERTIBLE PREFERENCE SHARES**

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate, the particulars of which have been set out in a circular to the Shareholders dated 30 June 2016 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms; (ii) give our recommendations as to whether the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are in the interest of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the reasons for entering into the Acquisition Agreements, the Subscription Agreement and the Amended Non-Competition Deed are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 8 June 2016, the Purchasers, which are subsidiaries of the Company, and the Sellers, which are BCL and one of its subsidiaries, entered into the Acquisition Agreements for the proposed acquisition of the Outlets Projects. Pursuant to the Acquisition Agreements, the Purchasers have conditionally agreed to acquire and the Sellers have conditionally agreed to sell the Sale Shares, representing 100% of the equity interest in the Target Companies which in turn hold the entire interest in the respective Outlets Project and related trademarks, and the Shareholder Loan. The Target Group is primarily engaged in the development and operation of outlets-backed commercial integrated projects and has a portfolio of three integrated outlets projects located in Beijing, Kunshan and Huzhou in the PRC and related trademarks.

For the purpose of funding and partial settlement of the Consideration, on 8 June 2016, BECL Investment (as subscriber), a wholly-owned subsidiary of BCL, and the Company (as issuer) entered into the Subscription Agreement, pursuant to which BECL Investment conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 905,951,470 CPS on the terms and conditions set out in the Subscription Agreement at an issue price of HK\$2.78 per CPS. All proceeds arising from the issue of the CPS will be used to settle the consideration payable for the Acquisition.

The BCL Group has substantial interest in the PRC property market. In order to minimize any potential competition between the businesses of BCL Group and the Group, BCL and the Company entered into the Non-Competition Deed on 13 November 2014. In order for the Company to operate the Outlet Projects in Beijing, Kunshan and Huzhou in the PRC after Completion and to facilitate the Company in becoming a nation-wide outlets operator in the PRC, the Company and BCL replaced the Non-Competition Deed by entering into the Amended Non-Competition Deed on 28 June 2016.

The EGM will be proposed for the Shareholders to consider and, if thought fit, pass the requisite resolutions to approve, inter alia, the Acquisition, the Amended Non-Competition Deed, the issue of the CPS, the proposed grant of the Specific Mandate and the Specific Placing Mandate. BECL Investment (holding 130,200,000 Shares, being 65.1% of the total issued Shares of the Company as at the Latest Practicable Date), BCG (holding 19,800,000 Shares, being 9.9% of the total issued Shares of the Company as at the Latest Practicable Date) and their respective close associates, and any person who has a material interest in the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are required to abstain from voting on the relevant resolutions to be proposed at the EGM. BECL Investment, BCG and their respective close associates will also voluntarily abstain from voting on the resolution approving the proposed grant of the Specific Placing Mandate to be proposed at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, Ample Capital has acted as an independent financial adviser to the independent board committee and independent shareholders in (i) connected transaction in respect of the proposed subscription of new domestic shares; and (ii) application for whitewash waiver of BCL, the details of which are set out in BCL's circular dated 11 September 2015 (the "**Previous BCL Appointment**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With regards to our independence from the Company, it is noted that (i) apart from the normal professional fees paid to Ample Capital in relation to the Previous BCL Appointment and the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; (ii) the signatories of the letter from the independent financial adviser under Previous BCL Appointment are different from the signatory of this letter; and (iii) we have maintained our independence from BCL during the Previous BCL Appointment, and our independence from the Company has not been compromised because of that. Accordingly, we consider that the Previous BCL Appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular, and other information set out in the Circular including the accountants' reports of the Target Companies set out in Appendix II to the Circular (the "**Accountants' Report(s)**"), the property valuation of the Target Group prepared by DTZ as set out in Appendix V to the Circular (the "**Valuation Report**") and the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular (the "**Pro Forma Financial Information**"). We have no reason to doubt the truth, accuracy and completeness of the information and representation provided to us by the Directors. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, and other information in the Circular such as the Valuation Report, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Target Group or any of the other parties involved in the Acquisition, the Subscription and the Amended Non-Competition Deed.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate, we have taken into consideration the following factors:

1. Background information on the Group

As stated in the Board Letter, the Group is principally engaged in commercial property development, with focus on the development of outlets-backed commercial integrated projects in selected cities in the PRC. Certain summary financial information of the Group as extracted from the Company's latest published financial statements, i.e. its annual report for the year ended 31 December 2015 (the "Annual Report") is set out below.

	Year ended 31 December 2015 <i>RMB'000</i> (audited)	Nine months ended 31 December 2014 <i>RMB'000</i> (audited)
Revenue from continuing operations	690,246	–
Profit/(loss) attributable to owners of the parent	336,804	(48,823)

	As at 31 December 2015 <i>RMB'000</i> (audited)	2014 <i>RMB'000</i> (audited)
Total assets	5,124,020	335,581
Total liabilities	3,138,069	229,367
Net assets attributable to owners of the parent	1,985,951	106,214

As stated in the Annual Report, the Group has successfully completed the acquisition of the Xi'an First City properties and the disposal of chemical business in January 2015. Through such series of transactions, the Group has changed its principal business from the original chemical business to the development of outlets integrated property and commercial property projects in 17 selected cities of the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the year ended 31 December 2015, the Company recorded audited consolidated revenue of approximately RMB690,246,000 from its continuing operations in the sales of commercial and residential properties. For the nine months ended 31 December 2014, the audited consolidated revenue of the Group was approximately RMB69,650,000 from the discontinued business in the sales of chemical products with nil revenue from continuing operations. Furthermore, the Company recorded audited consolidated profit attributable to owners of the parent of approximately RMB336,804,000 for the year ended 31 December 2015 which the Annual Report attributes to (i) the gross profit from sale of properties of approximately RMB142,073,000; (ii) recognition of bargain purchase in relation to the acquisition of 100% equity interest in Xi'an Capital Xin Kai Real Estate Ltd. of approximately RMB259,996,000; and (iii) the gain on disposal of discontinued operation of RMB19,465,000. For the nine months ended 31 December 2014, the Group recorded a consolidated net loss attributable to owners of the parent of approximately RMB48,823,000, comprising loss from discontinued operation and loss from continuing operation of RMB13,556,000 and RMB35,267,000 respectively.

As at 31 December 2015, the Company had audited consolidated total assets, total liabilities and net assets attributable to owners of the parent of approximately RMB5,124,020,000, RMB3,138,069,000 and RMB1,985,951,000 respectively.

2. Background information of the Target Group

The Target Group is primarily engaged in the development and operation of outlets-backed commercial integrated projects. It has a portfolio of three integrated outlets projects located in Beijing, Kunshan and Huzhou in the PRC and related trademarks.

The Outlet Projects will be held by the Enlarged Group as investment properties which generate revenue primarily from leasing the outlet shop spaces therein to brand-name retailers (including renowned international and domestic retail brands selling apparels, footwear, bags etc. and/or food and beverages operators) and managing supporting facilities (e.g. car parking spaces) for the purpose of outlets operations. The Outlets Projects are targeted at shoppers and families who are looking for leisure shopping and tourism experiences at the suburban area of the city and who are willing to make a trip for the discounted brand-name products.

Set out below is information on the Outlet Projects as extracted from the Circular.

2.1 Fangshan Integrated Outlets Project

Fangshan Integrated Outlets Project is an integrated project comprising street-level outlet shops, a multi-storey outlets complex, food and beverages facilities for leases and car parking spaces. This project, located in Changyang Tow, Fangshan District, Beijing, is in close proximity to Changyang West Station of Fangshan line of the intercity railway and is only a 30-minute drive from Financial Street in Beijing via Beijing-Shijiazhuang Expressway.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Fangshan Integrated Outlets Project will be developed in two phases. Phase 1, completed in May 2013, comprises 258 street-level outlet shops for lease. Construction of Phase 2, which comprises a multi-storey outlets complex and car parking spaces, is expected to commence in the second half of 2016. As at 31 December 2015, this project occupied a total site area of 90,766 sq.m. with an estimated total GFA of 196,837 sq.m..

For the 258 outlet shops in Phase 1 of Fangshan Integrated Outlets Project, as at the Latest Practicable Date, 242 outlet shops were rented out, representing an occupancy rate of approximately 94%.

Fangshan Integrated Outlets Project is owned and developed by the project company, Fangshan Outlets. As at 31 December 2015, the total development costs incurred in relation to the development of this project amounted to approximately RMB1,088 million of which RMB5 million remains to be paid as at the Latest Practicable Date, which shall be funded by the proceeds from the Placing(s) and/or external bank borrowings.

2.2 *Huzhou Integrated Outlets Project*

Huzhou Integrated Outlets Project is an integrated project comprising street-level outlet shops, food and beverages facilities for lease and a budget hotel. This project is situated at the center of the southern Taihu Lake tourist district in Huzhou, Zhejiang Province and Binhu Road runs through the whole project.

Outlet shops of the Huzhou Integrated Outlets Project are divided into Phase 1 and Phase 2, the former comprising 164 outlet shops and the latter comprising 138 outlet shops. This project also comprises a budget hotel, the construction of which has not yet commenced. As at 31 December 2015, this project occupied a total site area of 302,693 sq.m. with an estimated total GFA of 300,496 sq.m..

For the 164 outlet shops in Phase 1 of Huzhou Integrated Outlets Project, as at the Latest Practicable Date, 91 outlet shops were rented out, representing an occupancy rate of approximately 55%.

Huzhou Integrated Outlets Project is owned and developed by the project company, Huzhou Outlets. As at 31 December 2015, the total development costs incurred in relation to the development of this project amounted to approximately RMB687 million of which RMB53 million remains to be paid as at the Latest Practicable Date, which shall be funded by the proceeds from the Placing(s) and/or external bank borrowings.

2.3 *Kunshan Integrated Outlets Project*

Kunshan Integrated Outlets Project, located at south-east corner of the east new town of Kunshan City, Jiangsu Province, comprises street-level outlet shops, food and beverages facilities for least and car parking spaces and has nearly 40% green space ratio. Alongside the south high technology enterprise park, it is accompanied with a large customer base and market demand.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This project will be developed in two phases. Phase 1, comprising 175 outlet shops for lease, was completed in June 2015 and has opened in September 2015. Phase 2, comprising 178 outlet shops for lease, is still under development and is expected to be completed in the fourth quarter of 2016. As at 31 December 2015, this project occupied a total site area of 93,026 sq.m. with an estimated total GFA of 99,773 sq.m..

For the 175 outlet shops in Phase 1 of Kunshan Integrated Outlets Project, as at the Latest Practicable Date, 136 outlet shops were rented out, representing an occupancy rate of 78%.

Phase 1 of Kunshan Integrated Outlets Project is owned and developed by the project company, Kunshan Outlets and Phase 2 of the project is owned and developed by the project company, Kunshan Dongxing. As at 31 December 2015, the total development costs incurred in relation to the development of this project amounted to approximately RMB620 million of which RMB20 million remains to be paid as at the Latest Practicable Date, which shall be funded by the proceeds from the Placing(s) and/or external bank borrowings.

2.4 Financial information of the Target Companies

Set out below are selected financial information of Chuangxin Jianye, one of the Target Companies, as extracted from the Accountants' Report set out in Appendix II to the Circular.

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	67,695	127,578	159,086
Profit/(loss) attributable to owners	(55,637)	97,075	349,146

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Total assets	4,966,563	7,819,427	3,044,722
Total liabilities	4,724,833	7,479,828	2,355,977
Net assets	241,730	339,599	688,745

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is noted that Chuangxin Jianye's profit attributable to owners increased from approximately RMB97.1 million during the year ended 31 December 2014 to approximately RMB349.1 million during the year ended 31 December 2015, representing an increase of approximately 259.53%. As per the section "Management discussion and analysis on the Target Group" set out in Appendix IV to the Circular, such increase is mainly attributable to (i) increase in revenue from approximately RMB127.6 million in 2014 to approximately RMB159.1 million in 2015 mainly due to the increase in rental income led by stronger sales performance in 2015 of the tenants of Fangshan Outlets in 2015 with the gradual increase of customers to its outlets-backed commercial integrated project; (ii) increase in net other gains from approximately RMB195.9 million in 2014 to RMB381.7 million in 2015 which was mainly due to the appreciation of investment property at fair value for the respective years led by the inflation on the land and construction costs and the income growth for investment properties for the relevant years; and (iii) increase in other income from approximately RMB87.8 million in 2014 to approximately RMB153.3 million in 2015 mainly due to changes in the interest income from loans to related parties, mainly contributed by the fluctuation in the average balance of the relevant loans in the respective years.

Set out below are selected financial information of Huzhou Outlets, one of the Target Companies, as extracted from the Accountants' Report set out in Appendix II to the Circular.

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	93	1,301	2,759
Profit/(loss) attributable to owners	270,511	47,196	(54,925)

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Total assets	966,574	1,150,575	1,095,343
Total liabilities	434,889	571,694	634,135
Net assets	531,685	578,881	461,208

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is noted that Huzhou Outlet's profit attributable to owners decreased from approximately RMB270.5 million during the year ended 31 December 2013 to approximately RMB47.2 million during the year ended 31 December 2014, representing a decrease of approximately 82.55%. As per the section "Management discussion and analysis on the Target Group" set out in Appendix IV to the Circular, such decrease is mainly attributable to (i) increase in cost of sales from approximately RMB1.2 million in 2013 to approximately RMB8.2 million in 2014 which was consistent with the sales and revenue trend for the relevant years; (ii) increase in selling and marketing expenses from approximately RMB5.3 million in 2013 to RMB17.8 million in 2014 mainly due to increase in depreciation and amortization and increase in advertising and marketing expenses; (iii) decrease in net other gains from approximately RMB176.5 million in 2013 to approximately RMB104.9 million in 2014 and such gains are mainly due to the appreciation of investment property at fair value for the respective years; and (iv) decrease in other income from approximately RMB207.2 million in 2013 to approximately RMB1.2 million in 2014 mainly due to the funds received from the government in 2013 in relation to the business development subsidy.

It is noted that Huzhou Outlet turned around a profit attributable to owners of approximately RMB47.2 million during the year ended 31 December 2014 to a loss attributable to owners of approximately RMB54.9 million during the year ended 31 December 2015. As per the section "Management discussion and analysis on the Target Group" set out in Appendix IV to the Circular, such deterioration is mainly attributable to (i) increase in selling and marketing expenses from approximately RMB17.8 million in 2014 to approximately RMB24.9 million in 2015 mainly due to increase in depreciation and amortization and increase in advertising and marketing expenses for promoting the outlets-backed commercial integrated project of Huzhou Outlets; (ii) the decrease in net other gains from approximately RMB104.9 million in 2014 to approximately RMB9.5 million in 2015; and (iii) increase in finance expenses from nil in 2014 to approximately RMB39.5 million in 2015 mainly due to the capitalization of the interest to the development costs of the retail stores during their construction in 2014 while the interest was fully expensed in 2015 following the completion of the retail stores.

In relation to the financial performance of Huzhou Outlets, we note that:

- (i) As per our discussion with the Group's management, the Group has developed an experienced marketing team which specializes in commercial properties (including outlets). Upon Completion, the Enlarged Group can take advantage of the expertise and network of such marketing team and enjoy the benefits of economy of scale of the combined resources of the Enlarged Group such that occupancy rate and therefore financial performance of Huzhou Outlets can be improved.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Based on our understanding from the Group's management, the Huzhou Integrated Outlets Project comprises of Phase 1 which commenced operations in 2013, and Phase 2 and a budget hotel which are yet to commence commercial operations. As at the Latest Practicable Date, the occupancy rate of Phase 1 was approximately 55%. The Group's management expects that with the aforementioned introduction of the Group's marketing team after Completion together with the commencement of operations of supporting facilities such as the budget hotel and Phase 2 of Huzhou Integrated Outlets Project, more brand-names can be attracted to the Huzhou Integrated Outlets Project enhancing the diversity of the shops, the occupancy rate and the number of visitors which would bring positive impacts on Huzhou Outlet's future financial performance.
- (iii) As advised by the Group's management, the outstanding loan in the amount of RMB440 million of Huzhou Outlets is expected to be repaid after completion of the proposed equity fund raising by the Company under the Placing(s) as mentioned under the paragraph headed "Proposed grant of specific mandate to issue new Shares" in the Board Letter. Upon completion of the proposed Placing(s) with estimated gross proceeds of approximately HK\$2,196 million, Huzhou Outlets' finance expenses of approximately RMB39.5 million in the year ended 31 December 2015 can be significantly reduced and this is expected to have a positive impact on Huzhou Outlets' profitability.

In view of the above, there is potential for improvement in Huzhou Outlets' financial performance in the future if such plans can be successfully implemented by the Enlarged Group's management. Having considered the above together with the historical growth rate showing reasonable growth potential of the outlets market in the PRC as discussed in section 3 of this letter, we consider that the acquisition of Huzhou Outlets as part of the Acquisition is in the interest of the Company and the Shareholders as a whole.

2.5 *The Valuation Report*

Set out in Appendix V to the Circular is the Valuation Report prepared by DTZ. As stated in the Valuation Report, DTZ has assigned market values of RMB937,000,000 and RMB64,000,000 for properties 3 and 6 respectively which are held by Huzhou Outlets. For properties 1, 2, 4 and 5 held by Chuangxin Jianye, no commercial value has been ascribed by DTZ as these properties are subject to sale and transfer restrictions. On the assumption that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled, DTZ has ascribed market values of RMB1,601,000,000, RMB590,000,000, RMB214,000,000 and RMB322,000,000 for properties 1, 2, 4 and 5 respectively. As per the above, the aggregate value of the properties held by Chuangxin Jianye and Huzhou Outlets would be RMB3,728,000,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the paragraph headed “Basis of Valuation” in the Valuation Report, the “market value” as per 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*”. In view of the aforementioned definition, DTZ is unable to assign a “market value” for the Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project held by Chuangxin Jianye which are subject to sale and transfer restrictions since the relevant underlying properties cannot be “exchanged” and there is accordingly “no commercial value” for these properties in the Valuation Report.

However, this situation does not indicate that the Fangshan Integrated Outlets Project and the Kunshan Integrated Outlets Project are without a meaningful value within the context of the Acquisition as:

- (i) the Fangshan Integrated Outlets Project and the Kunshan Integrated Outlets Project physically exist, are operational and are revenue generating despite the sale and transfer restrictions;
- (ii) although there are sale and transfer restrictions on the Fangshan Integrated Outlets Project and the Kunshan Integrated Outlets Project, the Acquisition involves, amongst others, the sale and purchase of the entire equity of Chuangxin Jianye and it is stated in the Board Letter that as advised by the PRC legal advisers to the Company, there is no sale and transfer restriction on the holding company of the Fangshan Integrated Outlets Project and the Kunshan Integrated Outlets Project on the basis that the operation of the property projects will not be adversely affected so equity in Chuangxin Jianye is freely transferrable such that the Acquisition can be facilitated;
- (iii) DTZ has assessed total market value (on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled) of RMB2,727 million for properties held by Chuangxin Jianye;
- (iv) as per note 9 to the accountants’ report of Chuangxin Jianye in Appendix II to the Circular, the total book value of the investment properties held by Chuangxin Jianye is approximately RMB2,663 million as at 31 December 2015 which represents a slight discount of approximately 2.35% to DTZ’s appraised value as mentioned in paragraph (iii) above;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) for Huzhou Integrated Outlet Project held by Huzhou Outlets, DTZ has assessed total market value of RMB1,001 million;
- (vi) as per note 7 to the accountants' report of Huzhou Outlets in Appendix II to the Circular, the total book value of the investment properties held by Huzhou Outlets is approximately RMB978 million as at 31 December 2015 which represents a slight discount of approximately 2.30% to DTZ's appraised value as mentioned in paragraph (v) above; and
- (vii) price-to-book ratio ("P/B") and price-to-earnings ratio ("P/E") analyses set out in section 5.5 of this letter below indicate the considerations under the Chuangxin Jianye Acquisition Agreement and the Huzhou Acquisition Agreement are fair and reasonable.

Having considered the above, we consider that it is fair and reasonable for the Company to adopt the aforementioned basis in determining the Consideration.

With regards to the Valuation Report, we have complied with the requirements under note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct and conducted, amongst others, the following works: (i) discuss with the staff of DTZ regarding the methodology used and principal bases and assumptions adopted in the Valuation Report; (ii) assess the experience and expertise of the signatory of the Valuation Report; (iii) inquire on any current or prior relationship between DTZ and the Company, the Vendors and their core connected persons; (iv) review DTZ's engagement letter in respect of the Valuation Report; and (v) obtain information on DTZ's past track record on valuation of similar properties. Based on the aforementioned works, we are of the view that (i) the valuation methodologies and the principal bases and assumptions adopted by DTZ are fair and reasonable; (ii) the scope of work of DTZ is appropriate; and (iii) DTZ and the signatory of the Valuation Report together have sufficient qualification, experience and expertise, and are competent to provide the Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

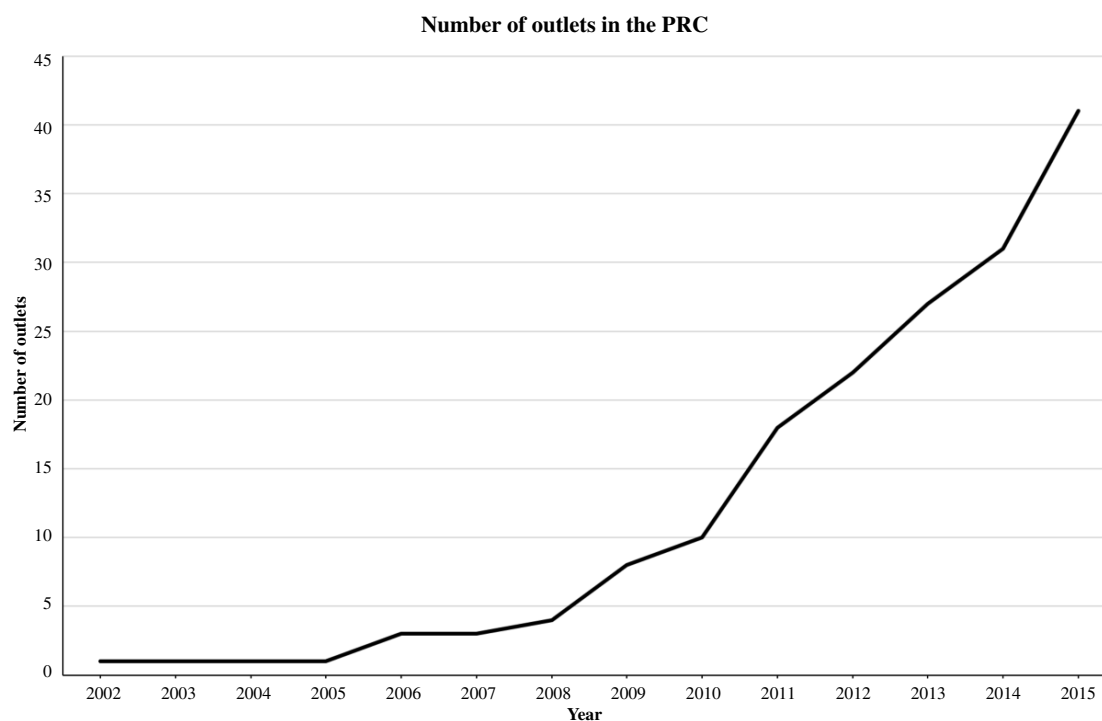
3. Industry overview of the outlets market in the PRC

From our research on the outlets market in the PRC based on our best information, knowledge and belief, there are 41 outlets as at 2015. Those outlets are mainly located near major population centers in the PRC. A breakdown of number of outlets in the PRC by region is set out in the table below:

Region	Number of outlets
Eastern China (location of Huzhou Integrated Outlets Project and Kunshan Integrated Outlets Project)	15
Northern China (location of Fangshan Integrated Outlets Project)	9
Southern China	5
Western China	4
Northeastern China	5
Central China	3
Total	41

Source: data compiled from numerous Internet sources

The outlets market in the PRC appears to be relatively young, with the first outlet opening in Beijing in 2002. Set out below is a chart illustrating the number of outlets in the PRC from 2002 up to 2015.



Source: data compiled from numerous Internet sources

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, the number of outlets in the PRC increased from 1 in 2002 to 41 in 2015, representing a compound annual growth rate (“CAGR”) of approximately 33.06%. The number of operating outlets in the PRC initially experienced steady growth during the period from 2002 to 2010. Starting from 2011, the number of outlets experienced more accelerated growth and the number of outlets increased from 10 in 2010 to 41 in 2015, with 10 new outlets commencing operation in 2015 alone. We believe there is great demand for outlets in the PRC which has in turn led to the accelerated rate of increase in the number of outlets in recent years.

Having considered the above market data for the outlets sector in the PRC, we are of the view that there is reasonable growth potential in the PRC’s outlets market. Accordingly, we concur with the view of the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Reasons for and benefits of the Acquisition and the issue of the CPS for the Company

It is stated in the Board Letter that the Directors consider the Acquisition and the issue of the CPS to be in the interests of the Company for the following reasons:

- (a) The Enlarged Group will strengthen its position as an overseas-incorporated listed platform of BCL focusing on outlets-backed commercial integrated projects in certain selected cities in the PRC

Through the Acquisition, the Enlarged Group will expand its property portfolio by acquiring from BCL three outlets-backed commercial integrated projects located in Beijing, Huzhou and Kunshan. With the addition of such property projects to the Group’s existing property portfolio, the Acquisition will have an effect of strengthening the position of the Company as the overseas listed platform of BCL, primarily focusing on the development, sale, lease and management of outlets backed commercial integrated projects in the PRC and facilitating the Enlarged Group in becoming a nation-wide outlets operator in the PRC.

- (b) The Enlarged Group will have a larger property portfolio with a potential to attain a steadier and more sustainable return

The outlets-backed commercial integrated projects to be acquired by the Group, which have a steady performance in the past and a growth potential, will significantly increase the size of the property portfolio and total assets of the Enlarged Group. The Acquisition will also enhance the ability of the Enlarged Group to attain a steadier and more sustainable return from such projects and provide a solid foundation for future development of other outlets-backed commercial integrated projects of the Enlarged Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The increased size of the property portfolio and total assets of the Enlarged Group will facilitate the Enlarged Group to attract investments and obtain future equity, equity-linked and debt financing through the Company, which will in turn optimize the debt equity structure of the Enlarged Group and facilitate further financing. Furthermore, with a larger property portfolio, the Enlarged Group will be in a favourable position to obtain financing on competitive terms from banks and other financing institutions. The Directors believe that the Enlarged Group will have stronger capability to raise funds to develop its business so as to create value for its Shareholders.

- (d) The Company can minimize 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 BECL Investment 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.

Having considered the reasons for and benefits of the Acquisition and the issue of the CPS to the Group, the Directors are of the view that the Acquisition and the issue of the CPS are in the interests of the Company and the Shareholders as a whole. The Directors are also of the view that the terms of the Acquisition Agreements and the Subscription Agreement, which have 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.

5. The Acquisition

5.1 *Chuangxin Jianye Acquisition Agreement*

Date

8 June 2016

Parties

- (1) Shanghai Juque (as one of the purchasers), a subsidiary of the Company;
- (2) Shanghai Juxin (as one of the purchasers), a subsidiary of the Company; and
- (3) BCL (as the seller).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matter

Subject to the terms and conditions of Chuangxin Jianye Acquisition Agreement, (a) Shanghai Juque has conditionally agreed to acquire and BCL has conditionally agreed to sell 51% of the issued share capital of Chuangxin Jianye; and (b) Shanghai Juxin has conditionally agreed to acquire and BCL has conditionally agreed to sell 49% of the equity interests of Chuangxin Jianye.

Consideration

The consideration for the Chuangxin Jianye Acquisition Agreement shall be RMB701,573,886, which shall be satisfied by cash payment by Shanghai Juque and Shanghai Juxin as to 51% and 49% respectively, to BCL on completion of the Chuangxin Jianye Acquisition Agreement.

Chuangxin Jianye directly holds the entire issued share capital of each of Kunshan Dongxin, Kunshan Outlets, Beijing Hengsheng and Beijing Yangguang and 99% of the issued share capital of Fangshan Outlets. The remaining 1% of the issued share capital of Fangshan Outlets is directly held by China Creative, a wholly-owned subsidiary of BCL. BCL will procure the intragroup transfer of the 1% issued share capital of Fangshan Outlets to Chuangxin Jianye on or prior to completion of the Chuangxin Jianye Acquisition Agreement.

Fangshan Outlets holds an outlets-backed commercial integrated project in Fangshan District, Beijing the PRC, a national “AAA” tourist attraction which comprises over 250 street-level outlet shops, a multi-story complex and supporting facilities. It has attracted over 24.3 million tourists since its opening in May 2013.

Kunshan Dongxin and Kunshan Outlets together hold an outlets-backed commercial integrated project in Kunshan, Jiangsu Province, the PRC, which comprises over 350 outlet shops and other supporting facilities. It has attracted over 490 thousand visitors since its opening in September 2015.

Beijing Hengsheng is the registered holder of the registered trademarks “Capital Outlets”, “Capitol Outlets” and “瀾錦滙” in the PRC, apart from which it does not have any operating activities. Upon Completion, the Enlarged Group shall be entitled to use the trademarks in the course of its operations of the Outlets Projects.

Beijing Yangguang is a business management company. As at the Latest Practicable Date, it does not hold any properties or trademarks or have any operating activities. It is envisaged that Beijing Yangguang will be used for provision of outlets leasing and management services.

5.2 Huzhou Acquisition Agreement

Date

8 June 2016

Parties

- (1) Capital Juda (as the purchaser), a subsidiary of the Company; and
- (2) Renowned Brand (as the seller), a subsidiary of BCL.

Subject matter

Capital Juda has conditionally agreed to acquire and Renowned Brand has conditionally agreed to sell the entire issued share capital of Huzhou Outlets, subject to the terms and conditions of the Huzhou Acquisition Agreement.

Huzhou Outlets holds and outlets-backed commercial integrated project in the Taihu Lake tourist district in Huzhou, Zhejiang Province, the PRC, a national “AAA” tourist attraction which comprises over 300 street-level outlet shops, a budget hotel and supporting facilities. It has attracted over 820 thousand tourists since its opening in December 2013.

Consideration

The consideration for the Huzhou Acquisition Agreement shall be RMB472,957,000, which shall be satisfied by cash payment by Capital Juda to Renowned Brand on completion of the Huzhou Acquisition Agreement.

5.3 Shareholder Loan Transfer Agreement

Date

8 June 2016

Parties

- (1) Shanghai Juque (as the purchaser), a subsidiary of the Company;
- (2) BCL (as the seller); and
- (3) Chaugxin Jianye.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matter

Shanghai Juke has conditionally agreed to acquire and BCL has conditionally agreed to sell the Shareholder Loan, subject to the terms and conditions of the Shareholder Loan Transfer Agreement. Completion of the Shareholder Loan Transfer Agreement is conditional upon completion of the Chuangxin Jianye Acquisition Agreement.

Consideration

The consideration for the Shareholder Loan Transfer Agreement shall be RMB1,197,796,182, which shall be satisfied by cash payment by Shanghai Juke to BCL on completion of the Shareholder Loan Transfer Agreement, of which RMB931,276,042 shall be satisfied by using proceeds from the issue of the CPS and the remaining RMB266,520,140 shall be satisfied by internal resources of the Company.

5.4 Basis of the Consideration

As stated in the Board Letter, the aggregate value of the Consideration shall be RMB2,372,327,068. The Consideration was determined after arm's length negotiation between the parties to the respective Acquisition Agreement, taking into consideration of the following factors:

- (i) the net asset value of the Target Companies as at 31 December 2015 in the amount of RMB1,149,953,000, which has taken into account, inter alia, the preliminary appraised value of properties of the Target Companies based on an independent valuation as at 31 December 2015;
- (ii) the amount of the Shareholder Loan of RMB1,197,796,182;
- (iii) the Consideration representing a nominal premium of approximately 1.05% to the aggregate amount of (i) and (ii) above (being RMB2,347,749,182); and
- (iv) the preliminary appraised value of properties of the Target Companies in the amount of RMB3,669,000,000, based on an independent valuation as at 31 December 2015 adopting the investment method or direct comparison method by capitalization of rental income or by reference to comparable market transactions respectively, and adjusted for construction cost to be incurred, if any.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is stated in the Board Letter that reference is made to the Valuation Report. It is noted that in the summary of valuations and the relevant valuation certificates in the Valuation Report, no commercial value has been ascribed by DTZ to Fangshan Integrated Outlets Project and Kunshan Integrated Outlets Project as these properties are subject to sale and transfer restrictions, being requirements stated in the relevant land grant contract and/or land title documents that the property shall be held by the project companies for operation and not for sale. Therefore the amount of RMB1,001,000,000 as stated in the summary of valuations contained in the Valuation Report only reflects the market value of Huzhou integrated Outlets Project as at 31 March 2016.

Please refer to the section headed “Basis of the Consideration” in the Board Letter for further information on the factors considered by the Directors in relation to the fairness and reasonableness of the Consideration in view of the aforementioned situation in the Valuation Report.

The Directors (including the Independent Board Committee) are of the view that the terms of the Acquisition Agreements, which have 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, taking into account, among other things, the terms and conditions and the quality and size of the property portfolio held by the Target Companies.

5.5 Comparative analysis on the Consideration under the Chuangxin Jianye Acquisition Agreement and the Huzhou Acquisition Agreement

In order to assess the fairness and reasonableness of the Acquisition, we have identified 4 comparable companies (the “**Acquisition Comparables**”) which are engaged in shopping malls or related business in the PRC. The Acquisition Comparables were identified through a search on Bloomberg using the keywords “shopping mall”, and then excluding those companies which are not actually engaged in operation of shopping malls. Apart from the above, we have also attempted searches using keywords such as “outlet mall” or “outlet” but such searches did not yield appropriate comparable companies principally engaged in outlets-backed projects in the PRC. The Acquisition Comparables represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. We note that the Target Companies are principally engaged in the operation of outlets-backed projects which are not exactly the same as shopping malls operated by the Acquisition Comparables but we nonetheless consider that they are similar enough for the purpose of our analysis as both categories offer retail space for shops to directly sell goods to customers and we are not able to identify other listed companies which are principally engaged in the operation of outlets-backed projects. We have conducted an analysis on the P/B and P/E of the Acquisition Comparables and the analysis is set out below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of company (stock code/ticker)	Principal business	P/B ¹ times	P/E ² times
CapitaLand Retail China Trust (CRCT.SP)	CapitaLand Retail China Trust is a shopping mall real estate investment trust. The Trust was established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located in China.	0.93	11.30
Ying Li International Real Estate Ltd. (YINGLI.SP)	Ying Li International Real Estate Ltd. develops, owns and manages shopping malls and offices in China. It also specializes in urban renewal projects.	0.43	12.36
Bund Center Investment, Ltd. (BCI.SP)	Bund Center Investment Ltd. invests in commercial property in China. It owns office buildings, hotels and retail malls.	1.32	21.64
Top Spring International Holdings Limited (3688.HK)	Top Spring International Holdings Limited is a holding company. It has interests in shopping malls, hotels, offices, department stores, and residential apartments.	0.53	4.19
	<i>Minimum:</i>	0.43	4.19
	<i>Maximum:</i>	1.32	21.64
	<i>Average:</i>	0.80	12.37
Chuangxin Jianye		1.02	2.01
Huzhou Outlets		1.03	n/a
Combined basis for Chuangxin Jianye and Huzhou Outlets		1.02	n/a³

Sources: Bloomberg and the Circular

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. For the Acquisition Comparables, the P/B data as at 8 June 2016 (i.e. the date of the Acquisition Agreements) is obtained from Bloomberg. For Chuangxin Jianye and Huzhou Outlets, the implied P/B is calculated based on the respective considerations on the equity component divided by the respective net asset values (“NAV”) as at 31 December 2015 as shown in the Accountants’ Reports set out in Appendix II to the Circular.
2. For the Acquisition Comparables, the P/E data as at 8 June 2016 (i.e. the date of the Acquisition Agreements) is obtained from Bloomberg. For Chuangxin Jianye, the implied P/E is calculated based on the consideration on the equity component divided by the net profit for the year ended 31 December 2015 as shown in the Accountants’ Report set out in Appendix II to the Circular. Since Huzhou Outlets incurred a net loss of the year ended 31 December 2015, its implied P/E is not available.
3. Combined P/E for both Chuangxin Jianye and Huzhou Outlets is not available as (i) Huzhou Outlets was loss making for the year ended 31 December 2015; (ii) negative P/E is generally not accepted and are considered not applicable; and (iii) combining the positive P/E and negative P/E of different individual companies would in our opinion distort the information conveyed.

As illustrated above, we note that the P/B of the Acquisition Comparables range from a low of approximately 0.43 times to a high of approximately 1.32 times with the average figure being approximately 0.80 times. The implied P/B of Chuangxin Jianye and Huzhou Outlets of approximately 1.02 and 1.03 times respectively are therefore within the range of the Acquisition Comparables’ P/B but above the average thereof.

For the P/E of the Acquisition Comparables, we note that it range from a low of approximately 4.19 times to a high of approximately 21.64 times with the average figure being approximately 12.37 times. The implied P/E of Chuangxin Jianye of approximately 2.01 times is therefore below the low-end of the Acquisition Comparables’ P/E and the average thereof.

In relation to the relatively higher implied P/B of Chuangxin Jianye and Huzhou Outlets compared to the Acquisition Comparables’ average P/B, we understand from the Group’s management that since BCL’s (as the counterparty) controlling shareholder Capital Group is a state-owned enterprise under the direct supervision of the Beijing Municipal Government, the consideration for disposal of its assets must not be less than the relevant asset’s appraised value or net asset value under the relevant laws and regulations applicable to state-owned enterprises or related entities in the PRC. In view of the above, we have also identified 7 transactions (the “**State-owned Acquisition Comparables**”) during the years 2015 and 2016 involving Hong Kong listed companies purchasing assets from state-owned enterprises or related entities in the PRC. The State-owned Acquisition Comparables were identified through an internet search using our best effort. Since the Stock Exchange’s website <http://www.hkexnews.hk/> does not have a specific search function for acquisitions involving state-owned enterprises or related entities in the PRC, the State-owned Acquisition Comparables may not include all relevant transactions but they would, in any event, represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. We have conducted an analysis on the P/B on the State-owned Acquisition Comparables and the analysis is set out below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of company (stock code)	Date of announcement	Nature of transaction	Consideration RMB'000	NAV/ appraised value RMB'000	P/B ¹ times
Beijingwest Industries International Limited (2339.HK)	15 April 2016	Major and connected transaction in relation to acquisition of equity interest in a target company from a company jointly owned by Beijing Fangshan State-owned Assets Management Company Limited	52,000	44,576	1.17
Tong Ren Tang Technologies Co. Ltd. (1666.HK)	30 March 2016	Connected transaction in relation to acquisition of equity interest in a target company from a state-owned enterprise in the PRC	13,500	13,500	1.00
China Machinery Engineering Corporation (1829. HK)	5 February 2016	Discloseable and connected transaction in relation to acquisition of equity interest in a target company from a state-owned enterprise in the PRC	532,678	532,678	1.00
Yuzhou Properties Company Limited (1628.HK)	21 December 2015	Discloseable and connected transaction in relation to acquisition of equity interest in a target company from an associate of a state-owned enterprise in the PRC	608,290	522,750	1.16
Chongqing Machinery & Electric Co., Ltd. (2722.HK)	16 December 2015	Connected transaction in relation to acquisition of equity interest in a target company from a company owned by Chongqing State-owned Assets supervision and Administration Commission	9,273	9,273	1.00
China COSCO Holdings Company Limited (1919.HK)	11 December 2015	Major and connected transactions in relation to acquisition of equity interests in target companies from an associate of a state-owned enterprise in the PRC	230,998	230,998	1.00
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (874.HK)	7 July 2015	Connected transaction in relation to acquisition of equity interest in a target company from a state-owned enterprise in the PRC	160,198	160,198	1.00
				<i>Minimum:</i>	1.00
				<i>Maximum:</i>	1.17
				<i>Average:</i>	1.05
Chuangxin Jianye			701,574	688,745	1.02
Huzhou Outlets			472,957	461,208	1.03
Combined basis for Chuangxin Jianye and Huzhou Outlets			1,174,531	1,149,953	1.02

Sources: <http://www.hkexnews.hk/> and the Circular

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

1. For the State-owned Acquisition Comparables, the implied P/B is calculated based on the consideration divided by the respective NAV or appraised value of the target company as stated in the relevant announcement. For Chuangxin Jianye and Huzhou Outlets, the implied P/B is calculated based on the respective considerations on the equity component divided by the respective NAV as at 31 December 2015 as shown in the Accountants' Reports set out in Appendix II to the Circular.

As illustrated above, the implied P/B of the State-owned Acquisition Comparables range from a low of approximately 1.00 times to a high of approximately 1.17 times with the average figure being approximately 1.05 times. The implied P/B of Chuangxin Jianye and Huzhou Outlets of approximately 1.02 and 1.03 times respectively are therefore within the range of the State-owned Acquisition Comparables' P/B and slightly below the average thereof.

5.6 Analysis on the Shareholder Loan Transfer Agreement

As advised by the Group's management, the Shareholder Loan represents part of BCL's investment in Chuangxin Jinye by way of debt. As mentioned earlier in this letter, the consideration under the Shareholder Loan Transfer Agreement shall be RMB1,197,796,182. Such consideration was determined with reference to the value of the Shareholder Loan of the same amount. Accordingly, the Shareholder Loan will be transferred from BCL to Shanghai Juque at a consideration which is determined on a dollar-to-dollar basis.

5.7 Conclusion regarding the Acquisition

Having considered the aforementioned factors, in particular:

- (i) the P/B of the Acquisition Comparables range from a low of approximately 0.43 times to a high of approximately 1.32 times with the average figure being approximately 0.80 times, and the implied P/B of Chuangxin Jianye and Huzhou Outlets of approximately 1.02 and 1.03 times respectively are therefore within the range of the Acquisition Comparables' P/B but above the average thereof;
- (ii) the P/E of the Acquisition Comparables range from a low of approximately 4.19 times to a high of approximately 21.64 times with the average figure being approximately 12.37 times, and the implied P/E of Chuangxin Jianye of approximately 2.01 times is therefore below the low-end of the Acquisition Comparables' P/E and the average thereof;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the consideration for disposal of assets by state-owned enterprises or related entities in the PRC must not be less than the relevant asset's appraised value or net asset value under the relevant laws and regulations applicable;
- (iv) the implied P/B of the State-owned Acquisition Comparables range from a low of approximately 1.00 times to a high of approximately 1.17 times with the average figure being approximately 1.05 times, and the implied P/B of Chuangxin Jianye and Huzhou Outlets of approximately 1.02 and 1.03 times respectively are therefore within the range of the State-owned Acquisition Comparables' P/B and slightly below the average thereof;
- (v) the Issue Price per CPS represents an approximately 6.51% premium over the closing price of the Shares as quoted on the Last Trading Day as discussed in section 6.2 of this letter; and
- (vi) the Shareholder Loan will be transferred from BCL to Shanghai Juque at a consideration which is determined on a dollar-to-dollar basis,

we consider that the terms of the Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

6. The Subscription Agreement and the issue of the CPS

6.1 *The Subscription Agreement*

Date

8 June 2016

Parties

BECL Investment (as the subscriber) and the Company (as the issuer)

Subject matter

BECL Investment has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 905,951,470 CPS at the Issue Price.

Consideration

The consideration for the Subscription Agreement shall be HK\$2,518,545,086, based on 905,951,470 CPS to be subscribed at the Issue Price. All proceeds arising from the issue of the CPS pursuant to the Subscription Agreement will be used by the Company for the purpose of funding and settlement of the Consideration payable by the Company pursuant to the Acquisition Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

Please refer to the section headed “Information on the CPS and the Conversion Shares” in the Board Letter for further information on the major terms of the CPS.

6.2 *The Issue Price*

The Issue Price was determined at arm’s length negotiations between the Company and BECL Investment, having regard to, among other things, the closing price of the Shares immediately before the entering into of the Subscription Agreement (being HK\$2.61 per Share), the audited consolidated net asset value per share (taking into account the total Shares and convertible preference shares of the Company in issue) of the Company as at 31 December 2015 (being HK\$2.53 per share), the terms and conditions of the Acquisition Agreements and the Subscription Agreement, the benefits of the Acquisition for the Enlarged Group in terms of synergy between the Outlets Projects and other outlets-backed commercial integrated projects of the Enlarged Group and the benefits of the Disposal for BCL Group in terms of consolidation of management and operation of outlets-backed commercial integrated projects under the Enlarged Group. The Directors consider that the terms and the Issue Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole based on current market conditions.

The Issue Price of HK\$2.78 per CPS represents:

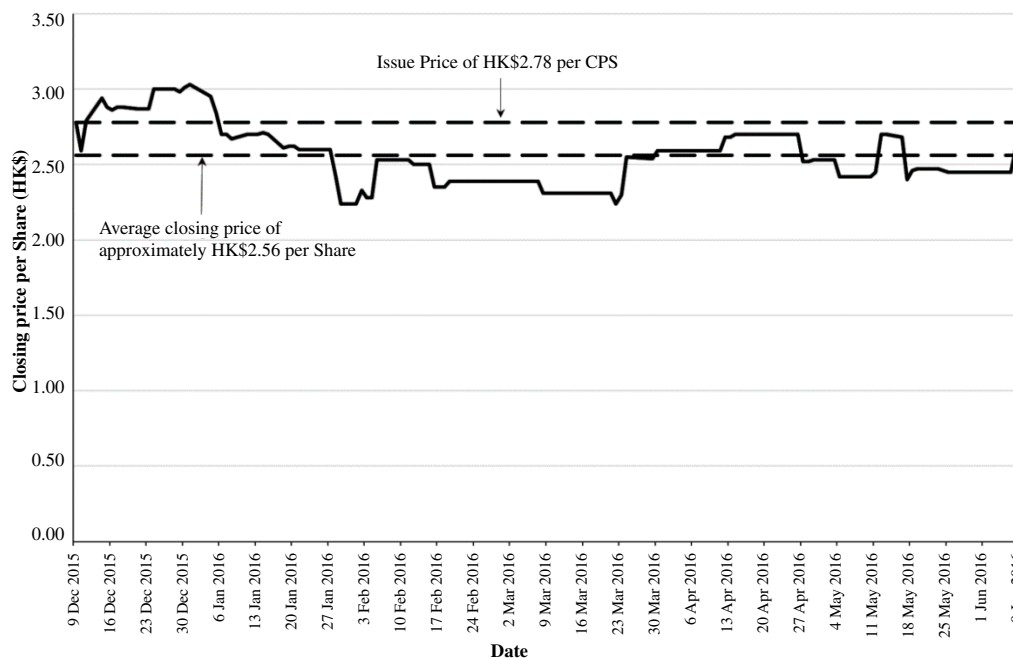
- (i) a premium of approximately 6.51% to the closing price of the Shares of HK\$2.61 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 12.10% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$2.48 per Share;
- (iii) a premium of approximately 12.55% 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\$2.47 per Share;
- (iv) a premium of approximately 11.65% 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\$2.49 per Share;
- (v) a discount of approximately 5.44% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$2.94 per Share; and
- (vi) a premium of approximately 9.88% over the audited consolidated net asset value per share (taking into account the total Shares and convertible preference shares of the Company in issue) of the Company as at 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

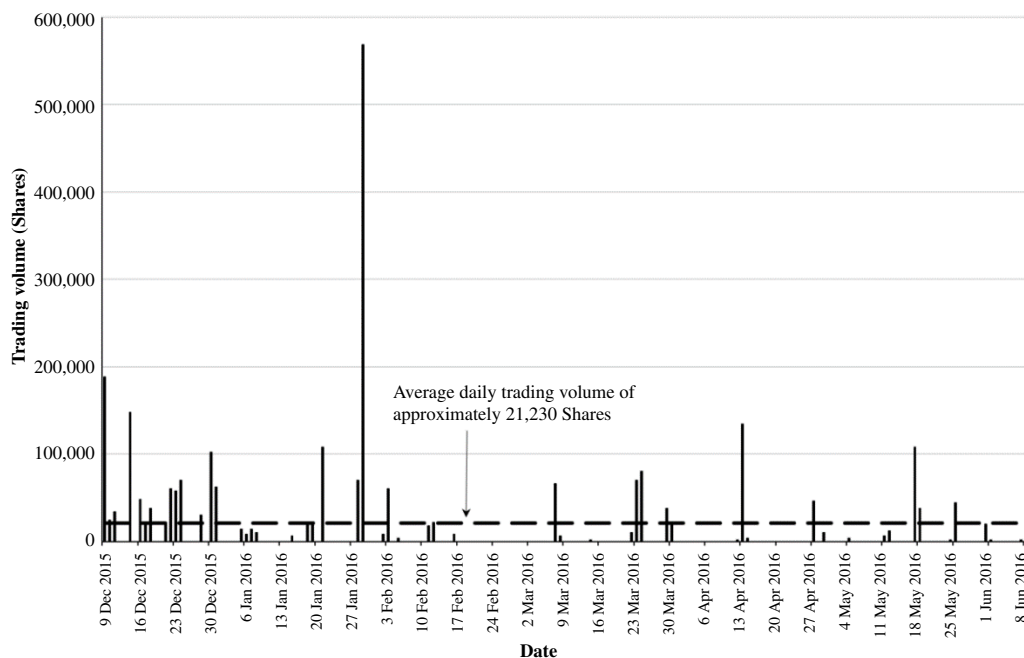
6.3 Historical closing price and trading volume of the Shares

We have reviewed the daily closing prices and trading volume of the Shares on the Stock Exchange for the 6-month period ended 8 June 2016, i.e. the date of the Acquisition Agreements (the “**Review Period**”). The relevant charts showing the daily closing prices and trading volume of the Shares on the Stock Exchange are set out below.

Closing price of the Shares on the Stock Exchange during the Review Period



Daily trading volume of the Shares on the Stock Exchange during the Review Period



Source: <http://www.hkex.com.hk/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the highest closing price of the Shares was HK\$3.03 per Share on 31 December 2015 while the lowest closing price of the Shares was HK\$2.24 per Share on 29 January, 1 February and 22 March 2016. As illustrated by the chart for closing price of the Shares above, the Shares generally closed below Issue Price of HK\$2.78 per Share during the Review Period except for the majority of the period before 6 January 2016. The average closing price of the Shares during the Review Period was approximately HK\$2.56 per Share and the Issue Price represents an approximately 8.59% premium over such average closing price.

The average daily trading volume of the Shares was approximately 21,230 Shares, representing approximately 0.01% of the Company's issued share capital as at the Latest Practicable Date. Trading of the Shares appear to be relatively thin during the Review Period.

6.4 Comparative analysis on other acquisition of assets involving issue of convertible preference shares

In order to assess the fairness and reasonableness of the Subscription, we have conducted a comparative analysis on 5 other acquisition of assets involving issue of convertible preference shares as announced by other listed companies in Hong Kong during the 1-year period ended 8 June 2016 (the "**CPS Comparables**"). The CPS Comparables were identified through a search on the Stock Exchange's website <http://www.hkexnews.hk/> and excluding those transactions that do not involve an acquisition of assets at the same time. The CPS Comparables represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. The analysis on the CPS Comparables is set out below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of company (stock code)	Date of announcement	Nature of transaction	Premium/ (discount) of issue/ conversion price to closing price of the shares on last trading day %	Preferred distribution/ dividend payment % p.a.
Wai Chun Mining Industry Group Company Limited (660.HK)	18 May 2016	Major and connected transaction involving issue of convertible preference shares	(51.90)	0.00
AgriTrade Resources Limited (1131.HK)	28 October 2015	Major transaction involving issue of convertible preference shares	56.10	0.00
Heritage International Holdings Limited (412.HK)	18 September 2015	Major transaction involving issue of convertible preference shares	(10.23)	0.001
Ground Properties Company Limited (989.HK)	3 July 2015	Very substantial acquisition and reverse takeover involving issue of convertible preference shares	(35.11)	0.0118 ¹
LVGEM (China) Real Estate Investment Company Limited (95.HK)	17 June 2015	Very substantial acquisition and reverse takeover involving issue of convertible preference shares	(32.00)	0.20
		<i>Minimum:</i>	(51.90)	0.00
		<i>Maximum:</i>	56.10	0.20
		<i>Average:</i>	(14.63)	0.04
The Company (1329.HK)			6.51	0.01

Source: <http://www.hkexnews.hk/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

1. The fixed dividend for this CPS Comparable is calculated at a yearly rate of 0.2% of the nominal value of HK\$0.05 of each convertible preference share, i.e. HK\$0.0001. With the issue price of HK\$0.85 per convertible preference share, the rate of the fixed dividend payment is calculated as approximately 0.0118% per annum.

As illustrated in the table above, the variance of the issue/conversion price of the CPS Comparables range from a discount of 51.90% to a premium of 56.10% with the average figure being a discount of approximately 14.63%. The approximately 6.51% premium of the Issue Price over the closing price of the Shares on the Last Trading Day is therefore within the range of the CPS Comparables and above the average thereof.

With regards to the Preferred Distribution at a rate of 0.01% per annum on the Issue Price, we note that the CPS Comparables represent a range of nil to 0.20% per annum with the average figure being approximately 0.04% per annum. The rate of the Preferred Distribution is therefore within the range of the CPS Comparables and is below the average thereof. In any event, we note that with the aggregate subscription price of HK\$2,518,545,086 under the Subscription, the annual Preferred Distribution (which the Board may in its sole discretion elect to defer or not pay if the Company does not pay any dividends, distributions or make any other payment on any Shares) would be approximately HK\$252,000.

6.5 Other financing alternatives

In our discussion with the Group's management, we understand that it has also considered other fund raising alternatives such as bank borrowings, debt financings and other pro-rata equity fund raising exercise. Our findings from such discussion is set out below.

With regards to placing of new Shares, the pro-rata shareholding of the existing Shareholders in the Company would be immediately diluted. Under such circumstances, the Group's management considers that the Subscription, which would not result in immediate dilution to the existing Shareholders' shareholding until being converted into Shares, would be more ideal.

In relation to raising additional debt financing such as bank borrowings or issue of debt securities, the outstanding principal of such debt financing would require repayment upon the maturity of such debts while the CPS are non-redeemable and therefore would not exert any financial pressure in the form of repayment of outstanding principal. In addition, the Preferred Distribution is at a rate of 0.01% per annum. This compares favorably with the Group's effective interest rate of 3.38% – 3.39% per annum as at 31 December 2014 (2015: no interest-bearing bank borrowings) as per the Annual Report. Accordingly, the issue of the CPS would result in less cost of financing for the Group as compared to debt financing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For other types of pro-rata equity financing such as open offer or rights issue, the Group's management considers that it would be more time consuming with an offer period during which the Shareholders can elect to take up their entitlement or not and in the case of rights issue, an additional period for the trading of the nil-paid rights on the open market. Based on our past experience, we understand that the underwriting commission for open offers or rights issues is generally in the range of around 2.00% to 3.00%. As such, it would take roughly 200 times of annual Preferred Distribution payments to reach the aforementioned low end of underwriting commission for open offers or rights issues.

6.6 Potential dilution on the shareholding interests of the Independent Shareholders

We note that the maximum number of 905,951,470 new Shares to be issued pursuant to full conversion of the CPS represents approximately 452.98% of the Company's issued share capital as at the Latest Practicable Date. Upon full conversion of the conversion rights attached to the CPS, the shareholding of the Independent Shareholders will be diluted by up to approximately 81.92%. Having considered (i) the proceeds arising from the issue of the CPS pursuant to the Subscription Agreement will be used by the Company for the purpose of funding and settlement of the Consideration payable by the Company pursuant to the Acquisition Agreements; (ii) the reasons for and benefits of the Acquisition and the CPS as discussed in section 4 of this letter; (iii) the terms of the Acquisition are fair and reasonable as discussed in section 5.7 of this letter; and (iv) the terms of the Subscription are fair and reasonable as discussed in section 6.7 of this letter, we consider that the potential dilution effect to the shareholding of the Independent Shareholders is acceptable.

6.7 Conclusion regarding the Subscription

Having considered the principal factors as discussed above, we are of the view that the terms of Subscription (including the Issue Price and the Preferred Distribution) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

7. The Amended Non-competition Deed

As stated in the Board Letter, the BCL Group has substantial interest in the PRC property market. In order to minimize any potential competition between the businesses of BCL Group and the Group, BCL and the Company entered into the Non-Competition Deed on 13 November 2014. Please refer to the Board Letter for further details.

In order for the Company to operate the Outlets Projects in Beijing, Kunshan and Huzhou in the PRC after Completion and to facilitate the Company in becoming a nation-wide outlets operator in the PRC, the Company and BCL replaced the Non-Competition Deed by entering into the Amended Non-Competition deed on 28 June 2016 pursuant to which:

- (i) BCL conditionally undertakes in favour of the Company (for itself and on behalf of its subsidiaries) that during the term of the Amended 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 (a) any Property Business in any of the Target Cities and (b) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities, save for Hainan Integrated Outlets Projects until BCL ceases to hold any interest therein (the “**BCL Non-Competition Undertaking**”); and
- (ii) the Company conditionally undertakes in favour of BCL (for itself and on behalf of its subsidiaries) that during the term of the Amended 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, save and except for: (i) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities; and (ii) the leasing, operation and management of any retail portion(s) in the property projects of BCL Group held as investment properties, where BCL Group offers to entrust or grants a first right of refusal in favour of the Enlarged Group to entrust such retail portion(s) to the Enlarged Group for leasing, operation and management in accordance with the entrustment agreement(s) to be entered into by the parties from time to time (the “**Enlarged Group Non-Competition Undertaking**”).

The above-mentioned entrustment(s) or grant of first right(s) of refusal in favour of the Enlarged Group further delineates the businesses of the Enlarged Group and BCL Group on an operation level and allows the Enlarged Group to apply its expertise in outlets operations to other retail properties. In the event of such entrustment or grant of first right(s) or refusal arrangement(s), BCL Group as landlord will entrust to the Enlarged Group, the operations of the relevant retail portions of property projects, including leasing, marketing and property management, and pay annual management fee(s) to the Enlarged Group, based on agreed percentage(s) of the rents payable by the tenants of such retail properties. Terms of the entrustment arrangement(s) will be subject to definitive entrustment agreement(s) to be entered into by the parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Group's management, we understand the main reason for the Amended Non-Competition Deed is to define the respective areas of operation and the respective principal businesses of the Enlarged Group and the BCL Group after Completion so as to avoid competition between the Enlarged Group and the BCL Group as a result of the aforementioned entities operating in the same business in the same geographical area. We further understand from the Group's management that the Target Cities represent the geographical areas where the Group currently has operations or has intention to expand into. In that connection, the Amended Non-Competition Deed delineates the businesses of the Enlarged Group and the BCL Group by (i) restricting the BCL Group from participating in any Property Business in any of the Target Cities; (ii) restricting the BCL Group from participating in any outlets-backed commercial integrated projects in any non-Target Cities, save for Hainan Integrated Outlets Project until BCL ceases to hold any interest therein; (iii) restricting the Enlarged Group from participating in any Property Business in any non-Target Cities save for (a) participating in outlets-backed commercial integrated projects in any non-Target Cities; and (b) participating in retail portion(s) of property projects as entrusted and granted by the BCL Group.

We note from the section headed "Reasons for and benefits of the Acquisition and the issue of the CPS for the Company" in the Board Letter that:

"The Enlarged Group will strengthen its position as an overseas-incorporated listed platform of BCL focusing on outlets-backed commercial integrated projects in certain selected cities in the PRC"

Based on the above, the proposed business scope of the Enlarged Group does not fall within the restrictions under the Enlarged Group Non-Competition Undertaking. The Enlarged Group Non-Competition Undertaking would allow the Group to implement the aforementioned strategy of focusing on outlets-backed commercial integrated projects in both Target Cities and non-Target Cities. While the Enlarged Group Non-Competition Undertaking would restrict the Enlarged Group from participating in non-outlets-backed commercial integrated projects (e.g. residential or typical commercial projects) in the non-Target Cities, that is not where the focus of the Enlarged Group lies and the Group's management has advised that there is no intention to expand into these markets. As such, we do not consider that there is any material adverse impact on the Enlarged Group's interests as a result of the Enlarged Group Non-Competition Undertaking. In any event, we note that the Enlarged Group Non-Competition Undertaking has (i) clearly applicable geographical areas (i.e. the non-Target Cities); and (ii) clearly applicable business sector (i.e. non-outlets-backed commercial integrated projects). In the absence of any entrustment arrangements with the BCL Group, the Enlarged Group is still allowed to (i) take up outlets-backed commercial integrated projects in both Target Cities and non-Target Cities, which is the Enlarged Group's principal focus; and (ii) take up other property development projects in the Target Cities.

On the other hand, the Enlarged Group's interests are protected under the BCL Group Non-Competition Undertaking as the BCL Group is barred from taking up (i) any Property Business in any of the Target Cities; and (ii) outlets-backed commercial integrated projects in any non-Target Cities save for Hainan Integrated Outlets Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we are of the view that the terms of the Amended Non-Competition Deed are fair and reasonable to the Company and the Shareholders as a whole.

8. Financial effects

8.1 *Net assets*

As per the Pro Forma Financial Information, the Group had net assets of approximately RMB1,985,951,000 as at 31 December 2015. After pro forma adjustments, the Enlarged Group would have unaudited pro forma net assets of approximately RMB4,067,180,000, representing an increase of approximately 104.80%.

8.2 *Profitability*

As per the Pro Forma Financial Information, the Group generated profit of approximately RMB336,804,000 during the year ended 31 December 2015. After pro forma adjustments, the Enlarged Group would have unaudited pro forma profit of approximately RMB631,025,000, representing an increase of approximately 87.36%.

8.3 *Liquidity*

As per the Pro Forma Financial Information, the Group had current assets and current liabilities of approximately RMB4,518,549,000 and RMB1,712,408,000 respectively as at 31 December 2015, translating into a current ratio (current assets/current liabilities) of approximately 2.64 times. After pro forma adjustments, the Enlarged Group would have unaudited pro forma current assets and unaudited pro forma current liabilities of approximately RMB4,840,715,000 and RMB2,304,942,000 respectively, resulting in a current ratio of approximately 2.10 times and representing a decrease of approximately 20.45%.

8.4 *Gearing*

As per the Pro Forma Financial Information, the Group had total debts of approximately RMB1,292,919,000 (comprising guaranteed notes of approximately RMB1,292,919,000) as at 31 December 2015. In addition, it had total equity of approximately RMB1,985,951,000 as at 31 December 2015, translating into a gearing ratio (total debts/total equity x 100%) of approximately 65.10%. After pro forma adjustments, the Enlarged Group would have unaudited pro forma total debts of approximately RMB2,572,919,000 (comprising (i) borrowings of approximately RMB160,000,000; (ii) guaranteed notes of approximately RMB1,292,919,000; and (iii) borrowings and loans (non-current portion) of approximately RMB1,120,000,000) and unaudited pro forma total equity of approximately RMB4,067,180,000, translating into a gearing ratio of approximately 63.26% which represents a decrease of approximately 2.83%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It should be noted that the above-mentioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Acquisition (including the Consideration), the Amended Non-Competition Deed, the issue of the CPS (including the Issue Price and the Preferred Dividend) and the proposed grant of the Specific Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate are on normal commercial terms but are not in the ordinary and usual course of business of the Company due to the nature of these transactions. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Acquisition, the Amended Non-Competition Deed, the issue of the CPS and the proposed grant of the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
Kevin So
Senior Vice President

Note:

Mr. Kevin So is a licensed person under the SFO to undertake types 6 and 9 regulated activities (advising on corporate finance and asset management respectively) and is a responsible officer in respect of Ample Capital's type 6 regulated activity (advising on corporate finance). Mr. So has over 13 years of experience in the corporate finance industry in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the financial years ended 31 March 2013, 31 March 2014, 31 December 2014 and 31 December 2015 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.bcjuda.com>):

- annual report of the Group for the year ended 31 December 2015 published on 24 March 2016 (pages 36 to 102) (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0324/LTN20160324480.pdf>);
- annual report of the Group for the nine months ended 31 December 2014 published on 23 February 2015 (pages 23 to 81) (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0223/LTN20150223162.pdf>);
- annual report of the Group for the year ended 31 March 2014 published on 22 May 2014 (pages 24 to 79) (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0522/LTN20140522336.pdf>); and
- annual report of the Group for the year ended 31 March 2013 published on 24 July 2013 (pages 21 to 76) (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0724/LTN20130724262.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had an aggregate outstanding borrowings of approximately RMB 2,555,000,000 comprising:

- (a) outstanding bank borrowings of approximately RMB 1,255,000,000 among which RMB 840,000,000 were secured by certain land use rights, RMB 415,000,000 were secured by certain relevant properties under development;
- (b) corporate bonds of approximately RMB 1,300,000,000.

As at 31 May 2016, the Enlarged Group provided guarantees amounted to RMB 1,827,391,000 to secure repayments obligations of mortgage loan for certain customers.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have at the close of business on 31 May 2016 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are satisfied after due and careful consideration and taking into account the present internal financial resources available to the Enlarged Group, the banking facilities presently available, the effect of the Acquisition and the issue of the CPS and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT

As disclosed in 2015 annual report of the Company, revenue of the Group amounted to RMB690,246,000 for the year ended 31 December 2015. Gross profit and net profit of the Group amounted to RMB142,073,000 and RMB336,804,000 respectively for the year ended 31 December 2015. Total assets and total equity amounted to approximately RMB5,124 million and RMB1,986 million respectively as at 31 December 2015.

Upon Completion, the Enlarged Group will be receiving stable rental income from the Outlets Projects, which is expected to enhance the financial performance of the Enlarged Group going forward. Looking forward, the Enlarged Group targets to commence the construction of Phase 2 of Fangshan Integrated Outlets Project in the second half of 2016 and complete the construction of Phase 2 of Kunshan Integrated Outlets Project in the fourth quarter of 2016, which is expected to provide the Enlarged Group with sustainable growth potential.

Going forward, in line with its strategy in becoming a nation-wide outlets operator in the PRC, the Company will, subject to and after Completion, expand its existing business into the development, sale, lease and management of outlet-backed commercial integrated projects (including but not limited to the Outlets Projects) in non-Target Cities in the PRC through among others, acquiring land and property projects and/or acquiring or investing in businesses which engage in outlets development and operations. The Company also intends to continue to develop and operate its existing property projects in the Target Cities, and in the meantime, enhance its property portfolio by acquiring land and acquiring and developing other outlets-backed commercial integrated projects.

Save and except for the above, Hainan Integrated Outlets Project and the Acquisition, as at the Latest Practicable Date, the Company did not have any intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) about (i) the acquisition of any new business; (ii) any disposal, scaling-down and/or termination of its existing business and/or major operating assets; and (iii) the injection of any new business to the Group.

5. EFFECT OF THE ACQUISITION ON EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

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 III to this circular. Total assets will increase by RMB4,068,333,000, representing an increase rate of 79.40%. Total liabilities will increase by RMB1,987,104,000, representing an increase rate of 63.32%. Profit for the year will increase by RMB294,221,000, representing an increase rate of 87.36%. As the Group and the Target Group have been under the common control of BCL and BCL will continue to be the controlling shareholder of the Company upon Completion, the Acquisition is considered as a combination of businesses under common control and accounted for under the merger basis.

6. MATERIAL ACQUISITION AFTER THE LATEST FINANCIAL STATEMENTS

On 13 January 2016, Shanghai Juque and Capital Juda Enterprise Limited, both being wholly-owned subsidiaries of the Company, succeeded in the bid of the land use rights of a piece of land offered for sale by the Land Resources Bureau of Xi'an* (西安市國土資源局) at an auction for RMB240 million (funded solely by internal resources of the Group). The land use rights grant contract in relation to the acquisition was entered into on 27 January 2016 between Shanghai Juque, Capital Juda Enterprise Limited and Land Resources Bureau of Xi'an. Further details of the acquisition are set out in the circular of the Company dated 15 March 2016.

On 3 February 2016, Shanghai Juque succeeded in the bid of the land use rights of a piece of land offered for sale by the Land Resources Bureau of Xingyang* (滎陽市國土資源局) at an auction for RMB57,850,000 (funded solely by internal resources of the Group). The land use rights grant contract in relation to the acquisition was entered into on 22 February 2016 between Shanghai Juque, Eternal Crown Investment Limited and the Land Resources Bureau of Xingyang. Further details of the acquisition are set out in the announcement of the Company dated 3 February 2016.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest audited consolidated financial statements of the Group were made up.

PART 1 – ACCOUNTANTS' REPORT OF CHUANGXIN JIANYE

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

30 June 2016

The Directors
Beijing Capital Juda Limited

Dear Sirs,

We report on the financial information of investment property operation business of Beijing Chuangxin Jianye Real Estate Investment Ltd. (北京創新建業地產投資有限公司, “Chuangxin Jianye”) (“Target Company B”) and its subsidiaries and a joint venture engaged in capital outlets operation business (together, “Target Group B”), which comprises the combined balance sheets of Target Group B as at 31 December 2013, 2014 and 2015, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of Target Group B for each of the years ended 31 December 2013, 2014 and 2015 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Beijing Capital Juda Limited (the “Company”) and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 30 June 2016 (the “Circular”) in connection with the proposed acquisition of Target Company B by the Company (the “Transaction”).

Chuangxin Jianye was incorporated in the People’s Republic of China (the “PRC”) on 30 October 2009 as a limited liability company under the Company Laws of the PRC.

As at the date of this report, Chuangxin Jianye has direct and indirect interests in the subsidiaries as set out in Note 7 of Section II below. All of these companies are limited liability companies incorporated in the PRC.



羅兵咸永道

The consolidated financial statements of Chuangxin Jianye prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance of the PRC for the years ended 31 December 2013, 2014 and 2015 were audited by Hua-Ander Certified Public Accountants.

For the purpose of this Transaction, the Directors of Chuangxin Jianye prepared combined financial statements in accordance with the basis set out in Note 2 of section II below and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of Chuangxin Jianye are responsible for the preparation and fair presentation of the combined financial statements in accordance with HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the Underlying Financial Statements of Target Group B with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 of Section II below and in accordance with HKFRS and accounting policies adopted by the Company as set out in the annual report of the Company for the year ended 31 December 2015.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the combined state of affairs of Target Group B as at 31 December 2013, 2014 and 2015 and of Target Group B's combined results and cash flows for the Relevant Periods.

I. FINANCIAL STATEMENTS OF TARGET GROUP B

The following is the combined financial information of Target Group B prepared by the directors of Beijing Capital Juda Limited (the “Company”) as at 31 December 2013, 2014 and 2015, and for each of the years ended 31 December 2013, 2014 and 2015 (the “Financial Information”).

1. COMBINED BALANCE SHEETS

		As at 31 December		
		2013	2014	2015
	Note	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	35,294	40,879	59,161
Investment properties	9	1,573,457	2,103,692	2,662,867
Intangible assets		—	—	42
Deferred income tax assets	14	107	18,706	15,288
Investments accounted for using the equity method	22	602	602	—
		<u>1,609,460</u>	<u>2,163,879</u>	<u>2,737,358</u>
Current assets				
Trade and other receivables	11	3,050,835	5,166,766	160,107
Cash	12	<u>306,268</u>	<u>488,782</u>	<u>147,257</u>
		<u>3,357,103</u>	<u>5,655,548</u>	<u>307,364</u>
Total assets		<u><u>4,966,563</u></u>	<u><u>7,819,427</u></u>	<u><u>3,044,722</u></u>
EQUITY				
Combined capital		50,000	50,000	50,000
Retained earnings		<u>191,730</u>	<u>289,599</u>	<u>638,745</u>
Total equity		<u><u>241,730</u></u>	<u><u>339,599</u></u>	<u><u>688,745</u></u>

		As at 31 December		
	<i>Note</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	13	570,000	790,000	730,000
Deferred income tax liabilities	14	69,748	120,687	228,162
		<u>639,748</u>	<u>910,687</u>	<u>958,162</u>
Current liabilities				
Trade and other payables	15	4,052,509	4,969,499	1,280,650
Advance from customers	16	2,576	7,842	2,680
Borrowings	13	30,000	1,591,800	110,000
Current income tax liabilities		—	—	4,485
		<u>4,085,085</u>	<u>6,569,141</u>	<u>1,397,815</u>
Total liabilities		<u>4,724,833</u>	<u>7,479,828</u>	<u>2,355,977</u>
Total equity and liabilities		<u><u>4,966,563</u></u>	<u><u>7,819,427</u></u>	<u><u>3,044,722</u></u>

2. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2013	2014	2015
	Note	RMB'000	RMB'000	RMB'000
Revenue	6	67,695	127,578	159,086
Cost of sales	19	(40,615)	(51,021)	(61,540)
Gross profit		27,080	76,557	97,546
Selling and marketing expenses	19	(41,893)	(47,058)	(53,649)
Administrative expenses	19	(46,149)	(48,532)	(66,905)
Other gains – net	17	37,947	195,860	381,734
Other income	18	97,450	87,794	153,347
Operating profit		74,435	264,621	512,073
Finance expenses	21	(135,967)	(134,104)	(46,947)
Share of loss of investment accounted for using the equity method	22	(5)	–	(602)
(Loss)/profit before income tax		(61,537)	130,517	464,524
Income tax expense	23	5,505	(33,442)	(115,378)
(Loss)/profit for the year		(56,032)	97,075	349,146
Total comprehensive (loss)/income for the year		(56,032)	97,075	349,146
Attributable to:				
Owner of Target Group B		(55,637)	97,075	349,146
Non-controlling interests		(395)	–	–

3. COMBINED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to owner of Target Group B				Total equity <i>RMB'000</i>
		Combined capital <i>RMB'000</i>	Retained earnings/ (accumulated deficit) <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	
As at 1 January 2013		50,000	247,540	297,540	176,767	474,307
Loss for the year		–	(55,637)	(55,637)	(395)	(56,032)
Disposal of subsidiaries	25	–	–	–	(176,372)	(176,372)
Deemed distribution		–	(173)	(173)	–	(173)
As at 31 December 2013		<u>50,000</u>	<u>191,730</u>	<u>241,730</u>	<u>–</u>	<u>241,730</u>
As at 1 January 2014		50,000	191,730	241,730	–	241,730
Profit for the year		–	97,075	97,075	–	97,075
Capital contribution		–	794	794	–	794
As at 31 December 2014		<u>50,000</u>	<u>289,599</u>	<u>339,599</u>	<u>–</u>	<u>339,599</u>
As at 1 January 2015		50,000	289,599	339,599	–	339,599
Profit for the year		–	349,146	349,146	–	349,146
As at 31 December 2015		<u>50,000</u>	<u>638,745</u>	<u>688,745</u>	<u>–</u>	<u>688,745</u>

4. COMBINED CASH FLOW STATEMENTS

	<i>Note</i>	Year ended 31 December		
		2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
Cash flows from operating activities				
Cash (used in)/generated from operations	24	(164,286)	354,962	(109,146)
Income tax (paid)/received		—	(3,562)	2,459
Net cash (used in)/generated from operating activities		<u>(164,286)</u>	<u>351,400</u>	<u>(106,687)</u>
Cash flows from investing activities				
Purchases of investment properties		(355,237)	(394,398)	(215,516)
Purchases of property, plant and equipment		(37,615)	(16,422)	(30,738)
Purchases of intangible assets		—	—	(44)
Net cash outflow on disposal of subsidiaries	25	(1,433)	—	—
Amounts received from related parties		2,661,432	3,079,024	7,446,853
Amounts paid to related parties		(4,089,641)	(5,245,933)	(3,003,884)
Loans repayments received from related parties		1,117,720	280,000	948,102
Loans granted to related parties		(840,761)	(517,598)	(395,543)
Interest received from related parties		90,849	28,996	195,132
Net cash (used in)/generated from investing activities		<u>(1,454,686)</u>	<u>(2,786,331)</u>	<u>4,944,362</u>
Cash flows from financing activities				
Proceeds from bank borrowings		—	300,000	50,000
Repayments of bank borrowings		—	(30,000)	(80,000)
Interest paid of bank borrowings		(42,770)	(56,978)	(59,643)
Amounts received from related parties		6,122,826	4,947,430	7,468,079
Amounts paid to related parties		(2,335,612)	(4,054,807)	(10,953,868)
Loans received from related parties		—	1,511,800	—
Repayments of loans from related parties		(1,637,657)	—	(1,511,800)
Interests paid to related parties		(270,153)	—	(91,968)
Net cash generated from/(used in) financing activities		<u>1,836,634</u>	<u>2,617,445</u>	<u>(5,179,200)</u>
Net increase/(decrease) in cash		217,662	182,514	(341,525)
Cash at beginning of the year		88,606	306,268	488,782
Cash at end of the year	12	<u>306,268</u>	<u>488,782</u>	<u>147,257</u>

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye") was incorporated with limited liability in the PRC on 30 October 2009. The address of its registered office is Room 501, the fifth floor, No.1 Yingbinzhonglu Road, Huairou District, Beijing City, the PRC.

Chuangxin Jianye is an investment company for investment property operation business. Its parent company is Beijing Capital Land Ltd. ("BCL"). Chuangxin Jianye is principally engaged in Capital Outlets investment property operation business investment in the PRC.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The combined Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 5.

During the Relevant Periods, Chuangxin Jianye's subsidiaries were engaged in two kinds of businesses, which were real estate property development and capital outlets investment property operation ("Capital Outlets Business"). These two businesses were managed separately and have separate accounting records.

Pursuant to an equity transfer agreement signed between Xinyuan Huafu Investment Co., Ltd. ("Xinyuan Huafu", a wholly owned subsidiary of BCL) and Chuangxin Jianye dated 22 December 2015, Chuangxin Jianye agreed to transfer its equity interests in subsidiaries engaged in real estate development business, namely, 100% equity interests in Capital Dongxing (Kunshan) Real Estate Development Co., Ltd., Capital Xinkai (Kunshan) Real Estate Development Co., Ltd., Capital Outlets (Kunshan) Real Estate Development Co., Ltd., Hainan Capital Outlets Real Estate Co., Ltd. and Shanghai Songchuang Real Estate Co., Ltd., and 55% equity interests in Huzhou Capital Rongcheng Real Estate Co., Ltd. to Xinyuan Huafu with no consideration (the "Gratuitous Transfer").

Upon the completion of the Gratuitous Transfer, the remaining subsidiaries, one joint venture of Chuangxin Jianye and investment property operation business of Chuangxin Jianye ("Target Company B") are all engaged in Capital Outlets Business (together, "Target Group B").

Since both Xinyuan Huafu and Chuangxin Jianye are under common control of BCL, the Gratuitous Transfer is considered as a business combination under common control and the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, is applied.

The combined financial information only presents the financial position, results and cash flows of Capital Outlets Business as if the current group structure had been in existence since 1 January 2013, or since their respective dates of incorporation or establishment, whichever is later.

2.1 Going concern

Target Group B meets its day-to-day working capital requirements through its rental income, bank facilities and other borrowings from related parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for Target Group B's investment property rent service; and (b) the availability of bank finance for the foreseeable future. The shareholders of Chuangxin Jianye have confirmed their intention to provide continuing financial support so as to enable Target Group B to repay its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future if necessary.

Target Group B's forecasts and projections, taking into account the shareholders' financial supporting and reasonably possible changes in trading performance, show that Target Group B should be able to operate within the level of its current facilities. After making enquiries, the directors of the Company and BCL have a reasonable expectation that the Target Group B had adequate resources to continue in operational existence for the foreseeable future. Target Group B therefore continues to adopt the going concern basis in preparing its combined financial statements. Further information on Target Group B's borrowings is given in Note 13 in this section.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

- (a) All standards and interpretations effective beginning on 1 January 2015 have been consistently applied to the Relevant Periods.
- (b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the Financial Information. None of these is expected to have a significant effect on the Financial Information of Target Group B, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Target Group B is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. Target Group B is assessing the impact of HKFRS 15.

Amendments to HKAS 1 "Disclosure initiative" clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. These amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial information to their circumstances and the needs of users.

The amendments to HKAS 1 is effective for annual periods beginning on or after 1 January 2016. Target Group B is yet to assess HKAS 1's full impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on Target Group B.

3.2 Joint arrangements

Target Group B has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Target Group B has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise Target Group B's share of the post-acquisition profits or losses and movements in other comprehensive income. Target Group B's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and Target Group B's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When Target Group B's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of Target Group B's net investment in the joint ventures), Target Group B does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between Target Group B and its joint ventures are eliminated to the extent of Target Group B's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by Target Group B.

3.3 Foreign currencies

The Financial information is presented in RMB, which is Target Group B's presentation currency. Foreign currency transactions recorded by Target Group B are initially recorded using the 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 the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 item 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 the 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).

3.4 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 the statement of 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 assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Target Group B recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Property, plant and equipment are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10-50 years
Leasehold improvements	3-5 years
Office equipment	3-5 years
Motor vehicles	3-5 years
Electronic equipment	3-5 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 the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gain or loss on disposal or retirement recognised in the statement of 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.

3.5 Investment property

Investment properties, including land use rights and buildings that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to Target Group B and their cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

Target Group B adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

- (a) There is an active property market where the investment property locates.
- (b) Target Group B can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit or loss account of Target Group B.

When objective evidence indicates that the purpose of the real estate has changed and Target Group B converts investment property to owner-occupied property or real estate inventory, the property's carrying amount is stated at the fair value on the conversion date. When any owner-occupied property or real estate inventory is converted to investment properties to be measured through the fair value model, the fair value on the conversion date is recognised as the carrying amount of the investment property. When the fair value on the conversion date is less than its carrying amount, the difference will be charged to profit or loss for the current period. When the fair value on the conversion date is more than its carrying amount, the difference will be charged to other comprehensive income for property, plant and equipment, and will be charged to profit or loss for inventory.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by Target Group B), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

3.6 Intangible assets

Computer software

Intangible assets are carried at cost less accumulated amortisations and impairment losses. Intangible assets are amortised over their estimated useful lives of 3-5 years on a straight line basis.

3.7 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of 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 the statement of profit or loss in the period in which it arises.

3.8 Financial assets

(a) Initial recognition and measurement

Financial assets of Target Group B are classified, at initial recognition, as trade and other receivables. 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.

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

(b) *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Trade and other 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 in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

(c) *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 Target Group B's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Target Group B 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) Target Group B has transferred substantially all the risks and rewards of the asset, or (b) Target Group B has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.9 Impairment of financial assets

Target Group B assesses at the end of each reporting period whether there is any 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 financing 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.

For financial assets carried at amortised cost, Target Group B first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Target Group B determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets 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 assets is reduced through the use of an allowance account and the loss is recognised in the statement of 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. Trade and other 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 Target Group B.

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

3.10 Financial liabilities

(a) *Initial recognition and measurement*

Target Group B's financial liabilities include trade and other payables, and interest-bearing bank and other borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

(b) *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 the statement of 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 expenses in the statement of profit or loss.

(c) *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 the statement of profit or loss.

(d) *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.

3.11 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.12 Cash

Cash comprises cash on hand and deposits that can be readily drawn on demand.

3.13 Combined capital

Combined capital consists of paid-in capital, capital reserve and surplus reserve, which is classified as equity.

3.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.15 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.

3.16 Current and deferred 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 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 Target Group B 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 carry forward 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 carry forward 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.

3.17 Employee benefits

Pension schemes

The employees of Target Group B is required to participate in a central pension scheme operated by the local municipal government. Target Group B is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

3.18 Revenue recognition

Rental income

Target Group B has two types of rental income in investment property operation business.

For most lease agreements with no fixed rental amount, Target Group B recognises income monthly based on certain percentage of the total income of the cooperative lessee.

For lease agreement with fixed rental amount, Target Group B recognises income monthly on a straight-line basis over the lease period. On the condition that Target Group B provides rent free period for certain lessee, Target Group B recognise income by allocating the total rent roll throughout the whole rent period according to straight-line method.

3.19 Interest income

Interest income is recognised using the effective interest method.

3.20 Operating leases

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

3.21 Segment information

Target Group B identifies operating segments based on the internal organisation, management requirements and internal reporting system and the reportable segments is determined and segment information is disclosed based on the operating segments.

An operating segment is a component of Target Group B that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its operation activities; (ii) whose operating results are regularly reviewed by Target Group B's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to Target Group B. If two or more operating segments have the similar economic characteristics and satisfy certain conditions, they could be aggregated into one single operating segment.

3.22 Dividend distribution

Dividend distribution to Chuangxin Jianye's shareholders is recognised as a liability in Target Group B's financial statements in the period in which the dividends are approved by Chuangxin Jianye's shareholders.

3.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Target Group B will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

4 FINANCIAL RISK MANAGEMENT**4.1 Financial risk factors**

Target Group B's principal financial instruments comprise interest-bearing borrowings from bank and related parties and cash and bank balances. The main purpose of these financial instruments is to raise finance for Target Group B's operations. Target Group B has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from Target Group B's financial instruments are interest rate risk, credit risk and liquidity risk. Target Group B's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on Target Group B's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

Target Group B's interest rate risk arises from non-current borrowings. Borrowings obtained at variable interest rates expose Target Group B to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose Target Group B to fair value interest rate risk. The management continuously monitors the interest rate position and makes decisions with reference to the latest market condition.

At 31 December 2015, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB160,000 (2014: RMB216,000; 2013: RMB224,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Target Group B trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and Target Group B's exposure to bad debts is not significant.

The credit risk of Target Group B's other financial assets, which comprise cash, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since Target Group B trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(c) Liquidity risk

Target Group B's policies are to maintain sufficient cash and to have available funding through bank borrowings to meet its working capital requirements.

The maturity profile of Target Group B's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2013					
Borrowings from bank	32,050	67,326	332,541	361,371	793,288
Trade and other payables	4,040,256	—	—	—	4,040,256
	<u>4,072,306</u>	<u>67,326</u>	<u>332,541</u>	<u>361,371</u>	<u>4,833,544</u>
At 31 December 2014					
Borrowings from bank	84,105	122,711	671,278	199,617	1,077,711
Borrowings from related parties	1,603,768	—	—	—	1,603,768
Trade and other payables	4,862,541	—	—	—	4,862,541
	<u>6,550,414</u>	<u>122,711</u>	<u>671,278</u>	<u>199,617</u>	<u>7,544,020</u>
At 31 December 2015					
Borrowings from bank	115,395	172,754	717,292	—	1,005,441
Trade and other payables	1,245,365	—	—	—	1,245,365
	<u>1,360,760</u>	<u>172,754</u>	<u>717,292</u>	<u>—</u>	<u>2,250,806</u>

4.2 Fair value estimation

The table below analyses Target Group B's assets carried at fair value as at 31 December 2013, 2014 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015, the investment properties measured at fair value by three levels are analysed below:

Description	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Commercial property	—	—	2,472,000	2,472,000

As at 31 December 2014, the investment properties measured at fair value by three levels are analysed below:

Description	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Commercial property	—	—	1,496,000	1,496,000

As at 31 December 2013, the investment properties measured at fair value by three levels are analysed below:

Description	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Commercial property	—	—	1,300,000	1,300,000

There were no transfers between level 1, 2 and 3 during the period.

Target Group B obtains independent valuations for its investment properties from an independent professional valuer as a third party. The valuations were based on income capitalisation model which mainly used unobservable inputs such as market rent, discount rate and so on.

4.3 Capital risk management

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

Target Group B manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, Target Group B may adjust the dividend payment to shareholders or return capital to shareholders. Target Group B is not subject to any externally imposed capital requirements. During the current year, Target Group B used new gearing ratio obtained from net debt divided by total equity for the purpose of property industry capital management.

Target Group B monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings and related parties borrowings, less cash. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total borrowings (<i>Note 13</i>)	600,000	2,381,800	840,000
Less: cash (<i>Note 12</i>)	(306,268)	(488,782)	(147,257)
Net debt	293,732	1,893,018	692,743
Total equity	241,730	339,599	688,745
Gearing ratio	122%	557%	101%

The fluctuation of the gearing ratio during year ended 31 December 2013, 2014 and 2015 resulted primarily from fluctuation of borrowings.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Target Group B continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Fair value of investment properties

Target Group B adopts fair value model for subsequent measurement of investment properties and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

Current prices (open market quotations) in an active market for the same or similar investment properties;

When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;

Based on the estimated rental income generated in the future and present value of the related cash flows. Target Group B adopts this method, and the key estimations are disclosed in Note 9.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by Target Group B), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Generally, when the proportion of contracted stores or potentially contracted stores achieve certain amount, Target Group B can make reliable estimation to fair value of investment properties.

6 SEGMENT INFORMATION

The President's office of Chuangxin Jianye is Target Group B's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the The President's office of Chuangxin Jianye for the purposes of allocating resources and assessing performance.

The reportable segments of Target Group B are the business units that operate in different areas. Different areas require different marketing strategies, Target Group B, therefore, separately manages the production and operation of each reportable segment and values their operating results respectively, in order to make decisions about resources allocation to these segments and to assess their performance.

Target Group B identified 3 reportable segments as follows:

- Outlets Property Investment Fang Shan Ltd. (“Fangshan Outlets”) segment, which is mainly engaged in investment property operations in Beijing region.
- Beijing Hengsheng Huaxing Investment Management Co., Ltd. (“Beijing Hengsheng”) which is mainly engaged in management consulting for investment property business in Beijing region.
- Kunshan segment, which is mainly engaged in investment property operations in Kunshan region.

Inter-segment transfer prices are determined by referring to sales price to third parties.

The segment information for the years ended 31 December 2013, 2014 and 2015 is as follows:

	Fangshan Outlets RMB'000	Beijing Hengsheng RMB'000	Kunshan RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Year ended 31 December 2013						
Revenue (from external customers)	46,812	10,723	–	10,160	–	67,695
Operating profit/(loss)	16,590	(2,174)	(376)	60,395	–	74,435
Finance expenses	(42,738)	–	(4)	(93,225)	–	(135,967)
Share of loss of investment accounted for using the equity method	–	–	–	(5)	–	(5)
Loss before income tax	(26,148)	(2,174)	(380)	(32,835)	–	(61,537)
Income tax expense	6,536	–	95	(1,126)	–	5,505
Segment results(a)	(19,612)	(2,174)	(285)	(33,961)	–	(56,032)
Year ended 31 December 2014						
Revenue (from external customers)	116,257	11,321	–	–	–	127,578
Operating profit/(loss)	245,892	759	(1,729)	19,699	–	264,621
Finance expenses	(42,136)	–	–	(91,968)	–	(134,104)
Profit/(loss) before income tax	203,756	759	(1,729)	(72,269)	–	130,517
Income tax expense	(50,939)	–	432	17,065	–	(33,442)
Segment results(a)	152,817	759	(1,297)	(55,204)	–	97,075

APPENDIX II

ACCOUNTANTS' REPORTS OF THE TARGET COMPANIES

	Fangshan Outlets RMB'000	Beijing Hengsheng RMB'000	Kunshan RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Year ended 31 December 2015						
Revenue (from external customers)	<u>147,852</u>	<u>4,784</u>	<u>6,450</u>	<u>–</u>	<u>–</u>	<u>159,086</u>
Operating profit	<u>347,532</u>	<u>62,566</u>	<u>128,941</u>	<u>14,032</u>	<u>(40,998)</u>	<u>512,073</u>
Finance expenses	(36,887)	(40,998)	(10,059)	(1)	40,998	(46,947)
Share of loss of investment accounted for using the equity method	<u>–</u>	<u>–</u>	<u>–</u>	<u>(602)</u>	<u>–</u>	<u>(602)</u>
Profit before income tax	<u>310,645</u>	<u>21,568</u>	<u>118,882</u>	<u>13,429</u>	<u>–</u>	<u>464,524</u>
Income tax expense	<u>(77,660)</u>	<u>(4,485)</u>	<u>(29,721)</u>	<u>(3,512)</u>	<u>–</u>	<u>(115,378)</u>
Segment results(a)	<u>232,985</u>	<u>17,083</u>	<u>89,161</u>	<u>9,917</u>	<u>–</u>	<u>349,146</u>
(a) Segment results equal profit/(loss) for the year.						
As at 31 December 2013						
Total segment assets	<u>2,035,024</u>	<u>2,229,638</u>	<u>330,059</u>	<u>835,721</u>	<u>(463,879)</u>	<u>4,966,563</u>
Additions to non-current assets	<u>107,387</u>	<u>6</u>	<u>119,824</u>	<u>51</u>	<u>–</u>	<u>227,268</u>
Total segment liabilities	<u>(986,883)</u>	<u>(2,224,758)</u>	<u>(206,489)</u>	<u>(1,770,582)</u>	<u>463,879</u>	<u>(4,724,833)</u>
As at 31 December 2014						
Total segment assets	<u>2,280,575</u>	<u>3,944,041</u>	<u>767,624</u>	<u>1,292,916</u>	<u>(465,729)</u>	<u>7,819,427</u>
Additions/(reductions) to non-current assets	<u>201,621</u>	<u>33</u>	<u>334,182</u>	<u>(16)</u>	<u>–</u>	<u>535,820</u>
Total segment liabilities	<u>(996,934)</u>	<u>(3,938,465)</u>	<u>(652,529)</u>	<u>(2,357,629)</u>	<u>465,729</u>	<u>(7,479,828)</u>
As at 31 December 2015						
Total segment assets	<u>3,068,088</u>	<u>45,543</u>	<u>834,288</u>	<u>739,058</u>	<u>(1,642,255)</u>	<u>3,044,722</u>
Additions/(reductions) to non-current assets	<u>252,121</u>	<u>(25)</u>	<u>324,263</u>	<u>1,140</u>	<u>–</u>	<u>577,499</u>
Total segment liabilities	<u>(1,489,105)</u>	<u>(22,900)</u>	<u>(546,709)</u>	<u>(1,939,518)</u>	<u>1,642,255</u>	<u>(2,355,977)</u>

7 PARTICULARS OF TARGET GROUP B

Particulars business of Target Group B as at 31 December 2015 are as follows, all of which are unlisted:

Name	Establishment/ Place and date of incorporation and type of business	Statutory auditor for the years ended 2013, 2014 and 2015	Registered and fully paid capital <i>RMB'000</i>	Effective interests directly held (%)	Principal activities
Beijing Hengsheng	Beijing/4 December 2009/Limited company	Huaander Certified Public Accountants	20,000	100%	Investment management
Kunshan Outlets	Kunshan/26 February 2013/Limited company	Huaander Certified Public Accountants	100,000	100%	Investment property operation
Kunshan Dongxing	Kunshan/18 March 2013/Limited company	Huaander Certified Public Accountants	100,000	100%	Investment property operation
Fangshan Outlets	Beijing/21 May 2010/Limited company	Huaander Certified Public Accountants	127,000	100%	Investment property operation

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>RMB'000</i>	Buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013						
Cost	–	–	–	588	–	588
Accumulated depreciation	–	–	–	(450)	–	(450)
Net book amount	–	–	–	138	–	138
Year ended 31 December 2013						
Opening net book amount	–	–	–	138	–	138
Additions	33,380	–	262	3,973	–	37,615
Depreciation charge	(1,818)	–	(17)	(624)	–	(2,459)
Closing net book amount	31,562	–	245	3,487	–	35,294
At 31 December 2013						
Cost	33,380	–	262	4,561	–	38,203
Accumulated depreciation	(1,818)	–	(17)	(1,074)	–	(2,909)
Net book amount	31,562	–	245	3,487	–	35,294
Year ended 31 December 2014						
Opening net book amount	31,562	–	245	3,487	–	35,294
Additions	5,622	7,950	468	2,288	94	16,422
Depreciation charge	(9,023)	(292)	(129)	(1,381)	(12)	(10,837)
Closing net book amount	28,161	7,658	584	4,394	82	40,879
At 31 December 2014						
Cost	39,002	7,950	730	6,849	94	54,625
Accumulated depreciation	(10,841)	(292)	(146)	(2,455)	(12)	(13,746)
Net book amount	28,161	7,658	584	4,394	82	40,879
Year ended 31 December 2015						
Opening net book amount	28,161	7,658	584	4,394	82	40,879
Additions	22,442	–	135	8,412	6	30,995
Depreciation charge	(8,876)	(159)	(118)	(3,546)	(14)	(12,713)
Closing net book amount	41,727	7,499	601	9,260	74	59,161
At 31 December 2015						
Cost	61,444	7,950	865	15,261	100	85,620
Accumulated depreciation	(19,717)	(451)	(264)	(6,001)	(26)	(26,459)
Net book amount	41,727	7,499	601	9,260	74	59,161

All depreciation expense has been charged in “administrative expenses” for the years ended 31 December 2013, 2014 and 2015.

9 INVESTMENT PROPERTIES

(a) Investment properties under construction

	Cost RMB'000	Fair Value RMB'000	Total RMB'000
At 1 January 2013	211,192	–	211,192
Additions	62,265	–	62,265
At 31 December 2013	273,457	–	273,457
Additions	334,235	–	334,235
At 31 December 2014	607,692	–	607,692
Additions	173,064	–	173,064
Transfer to investment properties in operation	(429,062)	–	(429,062)
Transfer to investment property under construction at fair value	(160,827)	–	(160,827)
Transfer from investment property under construction at cost	–	160,827	160,827
Net gains from fair value adjustment	–	152,173	152,173
At 31 December 2015	190,867	313,000	503,867

(b) Investment properties in operation

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
At 1 January	1,242,000	1,300,000	1,496,000
Additions	38,708	–	–
Transfer from investment properties under construction	–	–	429,062
Net gains from fair value adjustment	19,292	196,000	233,938
Closing balance at 31 December	1,300,000	1,496,000	2,159,000
(i) Amounts recognised in profit and loss for investment properties			
Net gains from fair value adjustment	19,292	196,000	386,111
Rental income	46,812	116,257	154,302
Direct operating expenses from property that generated rental income	(566)	(910)	(1,014)
Direct operating expenses from property that did not generate rental income	(66)	(248)	(204)

Profit or loss recognised in income statement arising from fair value changes, rental income and operating expenses, etc.

As at 31 December 2015, the gains recognised in profit or losses of assets in level 3 held by Target Group B amounted to RMB955,055,000 (2014: RMB568,944,000; 2013: RMB372,944,000).

Target Group B's finance department is in charge of assets' valuation and employs the independent valuer to evaluate the fair value of investment properties. The finance department verifies all valuation results, take charge of relative accounting treatment and prepare disclosure information of fair value according to verified valuation results.

Information about fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 31 December 2015 <i>RMB'000</i>	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Fangshan Outlets	1,896,000	Income approach	Discount rate	7% to 8%	The higher discount rate is, the lower fair value
			Market rents	RMB85 to RMB94 per square meter per month	The higher market rent is, the higher fair value
Kunshan Outlets	576,000	Income approach	Discount rate	7% to 8 %	The higher discount rate is, the lower fair value
			Market rents	RMB72 to RMB78 per square meter per month	The higher market rent is, the higher fair value
Investment Properties	Fair value as at 31 December 2014 <i>RMB'000</i>	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Fangshan Outlets	1,496,000	Income approach	Discount rate	7% to 8 %	The higher discount rate is, the lower fair value
			Market rents	RMB84 to RMB90 per square meter per month	The higher market rent is, the higher fair value
Investment Properties	Fair value as at 31 December 2013 <i>RMB'000</i>	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Fangshan Outlets	1,300,000	Income approach	Discount rate	7% to 8 %	The higher discount rate is, the lower fair value
			Market rents	RMB82 to RMB90 per square meter per month	The higher market rent is, the higher fair value

10 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Assets as per balance sheet			
Measured at amortised cost			
Trade and other receivables (excluding prepayments) (Note 11)	3,038,180	5,155,151	146,088
Cash (Note 12)	306,268	488,782	147,257
Total	3,344,448	5,643,933	293,345
Financial liabilities			
	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Liabilities as per balance sheet			
Measured at amortised cost			
Bank Borrowings (Note 13)	600,000	870,000	840,000
Related parties borrowings (Note 13)	–	1,511,800	–
Trade and other payables (excluding employee compensation payable and other taxes payable) (Note 15)	4,040,256	4,954,509	1,245,365
Total	4,640,256	7,336,309	2,085,365

11 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Trade receivables – net (a)	4,703	5,580	8,865
Guarantee deposits	334,848	356	1,061
Loans due from related parties (b)	344,887	617,611	–
Amounts due from related parties (c)	2,040,904	4,207,813	111,671
Other prepayments	12,655	11,615	14,019
Other receivables due from Outlets			
Guangdong Co., Ltd. (“Outlets Guangdong”) (d)	234,727	256,233	–
Consideration receivables from disposal of			
Outlets Guangdong (e)	20,503	20,503	–
Other receivables	57,608	47,055	24,491
Current portion	3,050,835	5,166,766	160,107

The carrying amounts of trade and other receivables approximate their fair values as at 31 December 2013, 2014 and 2015 respectively.

As at 31 December 2015, trade and other receivables of RMB160,107,000 (2014: RMB5,166,766,000; 2013: RMB3,050,835,000) were fully performing.

(a) Trade receivables

Proceeds from rental services and sales rendered are to be received in accordance with the term of respective agreements. An ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Within 1 year	4,703	5,580	8,865

(b) As at 31 December 2014, loans due from related parties bore an interest rate of 10% (2013:10%) per annum.

(c) Amounts due from related parties are interest free, unsecured and repayable on demand.

(d) As at 31 December 2013 and 2014, the amounts are the principal and interest of other receivables due from Outlets Guangdong, of which the principal amounted to RMB206,600,000, and with an interest rate of 10%. As at 31 December 2015, Chuangxin Jianye transferred its creditor's rights on Outlets Guangdong to BCL.

(e) As at 31 December 2013 and 2014, Consideration receivables from disposal amounted to RMB20,503,000 was due from the disposal of Outlets Guangdong in 2013. As at 31 December 2015, Chuangxin Jianye transferred its creditor's rights on Outlets Guangdong to BCL.

(f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of Target Group B's trade and other receivables are denominated in RMB.

12 CASH

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Cash at bank	306,268	488,782	147,257
Denominated in:			
– RMB	306,268	488,782	147,257

13 BORROWINGS

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Non-current			
Bank borrowings (a)	570,000	790,000	730,000
Current			
Related parties borrowings (b)	–	1,511,800	–
Current portion of long-term bank borrowings (a)	30,000	80,000	110,000
	30,000	1,591,800	110,000
Total borrowings	600,000	2,381,800	840,000

- (a) As at 31 December 2015, bank borrowings amounting to RMB510,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB1,087,884,000.

As at 31 December 2015, bank borrowings amounting to RMB330,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB429,061,000 and guaranteed by BCL.

As at 31 December 2014, bank borrowings amounting to RMB570,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB1,657,193,000.

As at 31 December 2014, bank borrowings amounting to RMB300,000,000 were secured by the land use rights of investment properties with carrying amount of RMB429,061,000.

As at 31 December 2013, bank borrowings amounting to RMB600,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB1,381,345,000.

- (b) As at 31 December 2014, related parties borrowings were unsecured, repayable on demand and bore an interest rate of 6%.
- (c) The maturities of Target Group B's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total borrowings			
– Within 1 year	30,000	1,591,800	110,000
– Between 1 and 2 years	60,000	110,000	155,000
– Between 2 and 5 years	260,000	535,000	575,000
– Over 5 years	250,000	145,000	–
	600,000	2,381,800	840,000

- (d) All Target Group B's borrowings are denominated in RMB.

- (e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Bank borrowings	7.05%	6.55%	6.55%
Related parties borrowings	—	6.00%	—
	<u> </u>	<u> </u>	<u> </u>

- (f) The exposure of Target Group B's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Within 6 months	—	1,541,800	50,000
Between 6 and 12 months	30,000	50,000	60,000
Between 1 and 5 years	320,000	645,000	730,000
Over 5 years	250,000	145,000	—
	<u> </u>	<u> </u>	<u> </u>
	600,000	2,381,800	840,000
	<u> </u>	<u> </u>	<u> </u>

- (g) The carrying amounts of borrowings approximate their respective fair values as at 31 December 2013, 2014 and 2015, as the borrowings bore floating interest rates, the impact of discounting is not significant. The fair values are based on cash flows discounted using market rate for the year ended 31 December 2013, 2014 and 2015, and are within level 2 of the fair value hierarchy.

14 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities are as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Deferred income tax assets:			
– to be recovered within 12 months	1,939	9,421	3,680
– to be recovered after more than 12 months	21,656	30,834	22,210
	<u> </u>	<u> </u>	<u> </u>
	23,595	40,255	25,890
	<u> </u>	<u> </u>	<u> </u>
Deferred income tax liabilities:			
– to be recovered after more than 12 months	(93,236)	(142,236)	(238,764)
	<u> </u>	<u> </u>	<u> </u>
Offsetting	23,488	21,549	10,602
Deferred income tax assets after offset	107	18,706	15,288
Deferred income tax liabilities after offset	(69,748)	(120,687)	(228,162)
Deferred income tax liabilities (net)	<u> </u>	<u> </u>	<u> </u>
	(69,641)	(101,981)	(212,874)
	<u> </u>	<u> </u>	<u> </u>

The gross movement on the deferred income tax account is as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
At beginning of the year	(74,883)	(69,641)	(101,981)
Recognised in the income statement (<i>Note 23</i>)	5,505	(32,340)	(110,893)
Disposal of subsidiaries	(263)	–	–
At end of the year	<u>(69,641)</u>	<u>(101,981)</u>	<u>(212,874)</u>

The movement in deferred income tax assets and liabilities during the years ended 31 December 2013, 2014 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets			
At 1 January 2013	12,130	1,400	13,530
Credited/(Charged) to income statement	11,728	(1,400)	10,328
Disposal of subsidiaries	–	(263)	(263)
At 31 December 2013	23,858	(263)	23,595
Credited to income statement	16,660	–	16,660
At 31 December 2014	40,518	(263)	40,255
Charged to income statement	(14,365)	–	(14,365)
At 31 December 2015	<u>26,153</u>	<u>(263)</u>	<u>25,890</u>

	Appreciation of investment property at fair value RMB'000	
Deferred income tax liabilities		
At 1 January 2013		(88,413)
Charged to income statement		(4,823)
At 31 December 2013		(93,236)
Charged to income statement		(49,000)
At 31 December 2014		(142,236)
Charged to income statement		(96,528)
At 31 December 2015		<u>(238,764)</u>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are going to expire within five years.

As at 31 December 2013, 2014 and 2015, Target Group B did not recognise deferred income tax assets of RMB11,845,000, RMB11,855,000 and RMB10,951,000 in respect of losses amounting to RMB47,379,000, RMB47,419,000, RMB43,803,000 that can be carried forward against future taxable income.

15 TRADE AND OTHER PAYABLES

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Trade payables	188,760	115,394	187,484
Employee compensation payable	6,764	13,514	14,610
Interests payable to bank	–	573	532
Amounts due to related parties (a)	3,841,214	4,733,837	1,042,330
Interests payable to related parties (b)	–	91,968	–
Other taxes payable	5,489	1,476	20,675
Deposits from customers and vendor	6,301	8,265	10,693
Other payables	3,981	4,472	4,326
	<u>4,052,509</u>	<u>4,969,499</u>	<u>1,280,650</u>

The carrying amounts of trade and other payables approximate their fair values.

- (a) Amounts due to related parties were interest free, unsecured, and repayable on demand.
- (b) Amounts of interests payable to related parties were the interests charged on the loans from related parties, which were unsecured, repayable on demand and bore an interest rate of 6% per annum.
- (c) An ageing analysis of the trade payables is as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Within 1 year	<u>188,760</u>	<u>115,394</u>	<u>187,484</u>

16 ADVANCES FROM CUSTOMERS

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Advances from outlets customers	2,576	2,833	2,620
Advances from other customers	–	5,009	60
	<u>2,576</u>	<u>7,842</u>	<u>2,680</u>

17 OTHER GAINS– NET

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Appreciation of investment property at fair value (Note 9)	19,292	196,000	386,111
Investment income from disposal of subsidiary (Note 25)	18,097	–	–
Others	558	(140)	(4,377)
	<u>37,947</u>	<u>195,860</u>	<u>381,734</u>

18 OTHER INCOME

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Interest income on loans to related parties (<i>Note 27</i>)	75,461	64,122	130,080
Other interest income from Outlets Guangdong	21,142	20,947	20,947
Interest income on short-term bank deposits	672	705	688
Government grants	–	1,425	1,101
Others	175	595	531
	<u>97,450</u>	<u>87,794</u>	<u>153,347</u>

19 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Employee benefit expense (<i>Note 20</i>)	19,864	29,628	34,034
Office and traveling expenses	13,241	13,725	20,689
Business entertainment fee	3,031	1,579	2,400
Property management fee	25,170	33,942	38,833
Consultancy fee	2,367	5,950	8,461
Depreciation and amortisation	2,459	10,837	12,715
Advertising and marketing	39,343	32,347	38,319
Business taxes and other surcharges	21,702	17,206	23,157
Auditors' remuneration	160	172	100
Other	1,320	1,225	3,386
	<u>128,657</u>	<u>146,611</u>	<u>182,094</u>

20 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of Target Group B, including its directors' emoluments is as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Salaries, wages and bonuses	16,748	25,289	27,457
Retirement benefits contribution	852	1,324	2,331
Other allowances and benefits	2,264	3,015	4,246
	<u>19,864</u>	<u>29,628</u>	<u>34,034</u>

Target Group B's employees participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC under which Target Group B was required to make monthly contributions at rates ranging from 10% to 20% depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2013, 2014 and 2015.

21 FINANCE EXPENSES

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Interest expense:			
– Bank borrowings	(42,770)	(57,551)	(59,602)
– Related parties borrowings	(93,223)	(91,968)	–
Finance expenses	(135,993)	(149,519)	(59,602)
Less: interest capitalised	26	15,415	12,655
Total finance expenses	(135,967)	(134,104)	(46,947)

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) The amounts recognised in the balance sheet are as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Joint ventures	602	602	–

(b) The amounts recognised in the income statement are as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Joint ventures	(5)	–	(602)

Set out below is the joint venture of Target Group B as at 31 December 2013, 2014 and 2015 which, in the opinion of the directors, are material to Target Group B. The joint venture as listed below have share capital consisting solely of ordinary shares, which are held directly by Target Group B; the country of incorporation or registration is also their principal place of business.

Nature of investment in joint venture as at 31 December 2015, 2014 and 2013.

Name of entity	Place of business/country of incorporation	% of ownership interest	Measurement method
Beijing Outlets Chuangxin Business Management Co., Ltd (“Outlets Chuangxin”)	Beijing/China	38	Equity

(i) Target Group B holds 38% of the voting rights of Outlets Chuangxin. Target Group B has joint control over Outlets Chuangxin as under the articles of association, unanimous consent is required from at least two-thirds of voting rights, which means Target Group B and Guangdong Xinnong Shouxin Investment Development Co., Ltd. (who holds 57% of the voting rights of Outlets Chuangxin) should come to agreements for all relevant activities.

(ii) The cancellation of Outlets Chuangxin was completed on 11 March 2016.

(c) Summarised financial information for joint venture

Set out below are the summarised financial information for Outlets Chuangxin which is accounted for using the equity method.

(i) Summarised balance sheet

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Current			
Cash	27	27	26
Other current assets	69	69	–
	<u>96</u>	<u>96</u>	<u>26</u>
Non-current			
Property, plant and equipment	3	3	–
Investment in subsidiary	2,000	2,000	–
	<u>2,003</u>	<u>2,003</u>	<u>–</u>
Total assets	<u>2,099</u>	<u>2,099</u>	<u>26</u>
Current			
Trade and other payables	(557)	(557)	(539)
Total liabilities	<u>(557)</u>	<u>(557)</u>	<u>(539)</u>
Net assets	<u>1,542</u>	<u>1,542</u>	<u>(513)</u>

(ii) Summarised statement of comprehensive income

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Administrative expense	(13)	–	(2,054)
Finance expenses	–	–	(1)
Loss for the year	(13)	–	(2,055)
Total comprehensive loss for the year	<u>(13)</u>	<u>–</u>	<u>(2,055)</u>

Outlets Chuangxin is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to Target Group B's interest in the joint venture.

As at 31 December 2015, the net assets of Outlets Chuangxin are negative due to continuous losses in the past years. As Target Group B does not have the obligation to bear the additional losses beyond the share, Target Group B recognises the carrying value of investment accounted for using the equity method at zero other than negative. In 2015, the unrecognised investment losses amounted to RMB179,000 (2014: Nil; 2013: Nil). As at 31 December 2015, the accumulated investment losses that are not recognised amounted to RMB179,000 (2014: Nil; 2013: Nil).

23 INCOME TAX EXPENSE

Target Group B is subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income for the years ended 31 December 2013, 2014 and 2015.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current income tax:			
– PRC enterprise income tax	–	1,102	4,485
Deferred income tax (<i>Note 14</i>)	(5,505)	32,340	110,893
	<u>(5,505)</u>	<u>33,442</u>	<u>115,378</u>

Taxation on Target Group B's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of Target Group B as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
(Loss)/profit before income tax	(61,537)	130,517	464,524
Tax calculated at a tax rate of 25%	(15,384)	32,629	116,131
Tax losses for which no deferred income tax asset was recognised	9,878	10	4
Loss not subject to tax	1	–	151
Other undeductible expenses	–	803	–
Utilisation of unrecognised tax losses in previous years	–	–	(908)
Income tax expense	<u>(5,505)</u>	<u>33,442</u>	<u>115,378</u>

24 CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
(Loss)/profit before income tax	(61,537)	130,517	464,524
Adjustments for:			
– Depreciation (<i>Note 8</i>)	2,459	10,837	12,713
– Amortisation	–	–	2
– Net gains from fair value adjustment on investment properties (<i>Note 17</i>)	(19,292)	(196,000)	(386,111)
– Interest from related and other parties (<i>Note 18</i>)	(96,603)	(85,069)	(151,027)
– Finance costs (<i>Note 21</i>)	135,967	134,104	46,947
– Share of loss of investment accounted for using the equity method (<i>Note 22</i>)	5	–	602
– Gain from disposal of subsidiaries (<i>Note 25</i>)	(18,097)	–	–
	(57,098)	(5,611)	(12,350)
Changes in working capital			
– Trade and other receivables	360,920	347,903	(34,790)
– Trade and other payables	(468,108)	12,670	(62,006)
Cash (used in)/generated from operations	(164,286)	354,962	(109,146)

25 DISPOSAL OF SUBSIDIARIES

In December 2012, Target Group B entered into an irrevocable equity transfer contract to dispose its 50% equity interests in Outlets Guangdong, the assets and liabilities of Outlets Guangdong met the definition of held for sale and were presented on the balance sheet as at 31 December 2012 separately as assets held for sale and liabilities held for sale. In April 2013, this transaction is completed and Outlets Guangdong is no longer included in the scope of Target Group B.

(a) For the year ended 31 December 2013

For the year ended 31 December 2013, Target Group B disposed of its equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed		Sales proceeds RMB'000
		Directly held	Indirectly held	
Outlets Guangdong (i)	30 April 2013	50%	–	198,324

- (i) Target Group B disposed of its 50% equity interest in Outlets Guangdong on 30 April, 2013 and lost its controlling interests in this entity.

- (b) Details of sales proceeds and gains on disposal are as follows:

	<i>RMB'000</i>
Sales proceeds:	198,324
Cash received in previous years	100,000
Consideration receivables	98,324
Less: Net assets disposed – as shown below	356,599
Non-controlling interests	176,372
Gain on disposal	18,097
	<u> </u>

- (c) The details of the net assets disposed are as follows:

	<i>RMB'000</i>
Cash	1,433
Trade and other receivables	283,436
Properties under development	748,037
Investment properties	746,121
Property, plant and equipment	2,723
Deferred income tax assets	9,793
Trade and other payables	(417,067)
Borrowings	(973,931)
Deferred income tax liabilities	(43,946)
	<u> </u>
Net assets	356,599
	<u> </u>
Non-controlling interests	176,372
Net assets disposed attributable to Target Group B	180,227
	<u> </u>
Sales proceeds – cash received	–
Less: Cash of subsidiaries disposed	1,433
	<u> </u>
Net cash outflow on disposal of subsidiaries	(1,433)
	<u> </u>

- (d) The effect of the disposal on combined statement of comprehensive income is as follows:

	For the period from 1 January 2013 to the effective date of disposals
	<i>RMB'000</i>
Revenue	20
Cost of sales	(1)
Selling and marketing expenses	(290)
Administrative expenses	(875)
Finance expenses	(6)
Other income	110
Other loss-net	(10)
	<u> </u>
Loss before tax	(1,052)
Income tax expense	263
	<u> </u>
Loss for the period	(789)
	<u> </u>
Attributable to:	
Owners of Target Group B	(394.5)
Non-controlling interests	(394.5)
	<u> </u>

26 CAPITAL COMMITMENTS

Target Group B had the following capital commitments as at 31 December 2013, 2014 and 2015:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Contracted but not provided for			
– Investment properties	200,820	28,351	113,550
Authorised but not contracted for			
– Property, plant and equipment	165	–	125
– Investment properties	334,348	223,676	366,514
	<u>535,333</u>	<u>252,027</u>	<u>480,189</u>

27 RELATED PARTY TRANSACTIONS

Save as disclosed in Note 11, Note 13 and Note 15, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between Target Group B and its related parties during the years ended 31 December 2013, 2014 and 2015:

(a) Provisions of services

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Provision of services(i):			
– Fellow subsidiary	10,723	11,321	–
	<u>10,723</u>	<u>11,321</u>	<u>–</u>

(i) Provision of services mainly represent consulting services related to investment property, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Loans due from related parties

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Fellow subsidiaries:			
At 1 January	637,234	344,887	617,611
Loans advanced during year	840,761	517,598	395,543
Loans repayments received	(1,117,720)	(280,000)	(948,102)
Interest charged	75,461	64,122	130,080
Interest received	(90,849)	(28,996)	(195,132)
	<u>344,887</u>	<u>617,611</u>	<u>–</u>
At 31 December (Note 11)			

(c) Loans due to related parties

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
BCL:			
At 1 January	1,814,587	–	–
Loans advanced during year	–	–	–
Repayments during year	(1,637,657)	–	–
Interest charged	93,223	–	–
Interest paid	(270,153)	–	–
At 31 December	–	–	–
Fellow subsidiaries:			
At 1 January	–	–	1,603,768
Loans advanced during year	–	1,511,800	–
Repayments during year	–	–	(1,511,800)
Interest charged	–	91,968	–
Interest paid	–	–	(91,968)
At 31 December	–	1,603,768	–

(d) Amounts due to related parties

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
BCL:			
At 1 January	12,128	1,550,965	643,825
Amounts advanced during year	3,743,561	1,681,402	4,281,491
Repayments during year	(2,204,724)	(2,588,542)	(3,888,485)
At 31 December (Note 15)	1,550,965	643,825	1,036,831
Fellow subsidiaries:			
At 1 January	41,872	2,290,249	4,090,012
Amounts advanced during year	2,379,265	3,266,028	3,700,026
Repayments during year	(130,888)	(1,466,265)	(7,784,539)
At 31 December (Note 15)	2,290,249	4,090,012	5,499

(i) Amounts due to related parties were unsecured, interest free and repayable on demand.

(e) Amounts due from related parties

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
BCL:			
At 1 January	263,249	1,409,267	1,613,052
Amounts advanced during year	2,200,751	1,924,440	2,435,500
Repayments during year	(1,054,733)	(1,720,655)	(4,048,552)
At 31 December (<i>Note 11</i>)	<u>1,409,267</u>	<u>1,613,052</u>	<u>–</u>
Fellow subsidiaries:			
At 1 January	349,446	631,637	2,594,761
Amounts advanced during year	1,888,890	3,321,493	915,211
Repayments during year	(1,606,699)	(1,358,369)	(3,398,301)
At 31 December (<i>Note 11</i>)	<u>631,637</u>	<u>2,594,761</u>	<u>111,671</u>

(i) Amounts due from related parties were unsecured, interest free and repayable on demand.

28 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the Chuangxin Jianye Acquisition Agreement dated 8 June 2016, subsidiaries of the Company agreed to acquire 100% of the equity interests of Chuangxin Jianye at a consideration of RMB702 million. On or prior to the completion, China Creative Properties Limited (“China Creative”) should have completed the transfer of 1% of equity interests of Fangshan Outlets to Chuangxin Jianye at a consideration of RMB15,889,000, according to the equity transfer agreement between China Creative and Chuangxin Jianye dated 28 April 2016.

In accordance with the Circular on the full implementation of Levying Value-added Tax (“VAT”) in place of Business Tax (Caishui No.36, 2016)(the “Circular”) jointly issued by the Ministry of Finance and the State Administration of Taxation, taxpayers providing taxable services included in the Circular would be subject to VAT and no longer to business tax starting from 1 May 2016. Target Group B is still assessing the impact of the Circular.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Target Group B in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by Target Group B in respect of any period subsequent to 31 December 2015.

Yours faithfully,

PricewaterhouseCoopers
 Certified Public Accountants
 Hong Kong

PART 2 – ACCOUNTANTS' REPORT OF HUZHOU OUTLETS

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

30 June 2016

The Directors
Beijing Capital Juda Limited

Dear Sirs,

We report on the financial information of Zhejiang Outlets Property Real Estate Co., Ltd. (浙江奧特萊斯置業有限公司, "Target Company A"), which comprises the balance sheets of Target Company A as at 31 December 2013, 2014 and 2015, and the statements of comprehensive income, the statements of changes in equity and the cash flow statements of Target Company A for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Beijing Capital Juda Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 30 June 2016 (the "Circular") in connection with the proposed acquisition of Target Company A by the Company (the "Transaction").

Target Company A was incorporated in the People's Republic of China (the "PRC") on 6 May 2010 as a limited liability company under the Company Laws of the PRC.

The financial statements of Target Company A for the years ended 31 December 2013, 2014 and 2015 were audited by Hua-Ander Certified Public Accountants. The directors of Target Company A during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the audited financial statements of Target Company A with no adjustment made thereon.

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羅兵咸永道

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting policies adopted by the Company as set out in the annual report of the Company for the year ended 31 December 2015.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Target Company A as at 31 December 2013, 2014 and 2015 and of Target Company A's results and cash flows for the Relevant Periods.

I. FINANCIAL STATEMENTS OF TARGET COMPANY A

The following is the financial information of Target Company A prepared by the directors of Beijing Capital Juda Limited (the "Company") as at 31 December 2013, 2014 and 2015, and for each of the years ended 31 December 2013, 2014 and 2015 (the "Financial Information").

1. BALANCE SHEETS

		As at 31 December		
		2013	2014	2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	6	6,349	18,195	27,164
Investment properties	7	754,986	965,454	977,749
Intangible assets	8	1,929	2,001	3,896
		<u>763,264</u>	<u>985,650</u>	<u>1,008,809</u>
Current assets				
Trade and other receivables	10	187,832	149,804	72,625
Cash	11	15,478	15,121	13,909
		<u>203,310</u>	<u>164,925</u>	<u>86,534</u>
Total assets		<u><u>966,574</u></u>	<u><u>1,150,575</u></u>	<u><u>1,095,343</u></u>
EQUITY				
Attributable to owner of				
Target Company A				
Paid-in capital		261,598	261,598	261,598
Surplus reserve		13,770	13,770	13,770
Retained earnings		256,317	303,513	185,840
Total equity		<u>531,685</u>	<u>578,881</u>	<u>461,208</u>

		As at 31 December		
	<i>Note</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	12	160,000	110,000	390,000
Deferred income tax liabilities	13	46,105	64,716	46,408
		<u>206,105</u>	<u>174,716</u>	<u>436,408</u>
Current liabilities				
Trade and other payables	14	143,443	346,954	140,746
Advances from customers	12	12	24	706
Borrowings	12	40,000	50,000	50,000
Current income tax liabilities		45,329	–	6,275
		<u>228,784</u>	<u>396,978</u>	<u>197,727</u>
Total liabilities		<u>434,889</u>	<u>571,694</u>	<u>634,135</u>
Total equity and liabilities		<u><u>966,574</u></u>	<u><u>1,150,575</u></u>	<u><u>1,095,343</u></u>

2. STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2013	2014	2015
	Note	RMB'000	RMB'000	RMB'000
Revenue	7	93	1,301	2,759
Cost of sales	17	(1,151)	(8,205)	(9,425)
Gross loss		(1,058)	(6,904)	(6,666)
Selling and marketing expenses	17	(5,299)	(17,848)	(24,860)
Administrative expenses	17	(15,077)	(15,575)	(14,848)
Other gains – net	15	176,519	104,894	9,543
Other income	16	207,172	1,240	3,084
Operating profit/(loss)		362,257	65,807	(33,747)
Finance expenses	19	–	–	(39,486)
Profit/(loss) before income tax		362,257	65,807	(73,233)
Income tax expense	20	(91,746)	(18,611)	18,308
Profit/(loss) for the year		270,511	47,196	(54,925)
Total comprehensive income/(loss) for the year		270,511	47,196	(54,925)
Attributable to:				
– Owner of Target Company A		270,511	47,196	(54,925)

3. STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Target Company A			
	Paid-in capital <i>RMB'000</i>	Surplus reserve <i>RMB'000</i>	(Accumulated deficit)/ retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2013	261,598	–	(424)	261,174
Comprehensive income				
Profit for the year	–	–	270,511	270,511
Total comprehensive income	–	–	270,511	270,511
Transactions with owners				
Appropriations	–	13,770	(13,770)	–
Total transactions with owners	–	13,770	(13,770)	–
As at 31 December 2013	<u>261,598</u>	<u>13,770</u>	<u>256,317</u>	<u>531,685</u>
As at 1 January 2014	261,598	13,770	256,317	531,685
Comprehensive income				
Profit for the year	–	–	47,196	47,196
Total comprehensive income	–	–	47,196	47,196
As at 31 December 2014	<u>261,598</u>	<u>13,770</u>	<u>303,513</u>	<u>578,881</u>
As at 1 January 2015	261,598	13,770	303,513	578,881
Comprehensive loss				
Loss for the year	–	–	(54,925)	(54,925)
Total comprehensive loss	–	–	(54,925)	(54,925)
Transactions with owners				
Dividends	–	–	(62,748)	(62,748)
Total transactions with owners	–	–	(62,748)	(62,748)
As at 31 December 2015	<u>261,598</u>	<u>13,770</u>	<u>185,840</u>	<u>461,208</u>

4. CASH FLOW STATEMENTS

		Year ended 31 December		
		2013	2014	2015
	Note	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	21	16,193	(34,321)	(30,117)
Income tax paid		(165)	(45,329)	–
Net cash generated from/(used in) operating activities		<u>16,028</u>	<u>(79,650)</u>	<u>(30,117)</u>
Cash flows from investing activities				
Purchases of investment properties		(80,142)	(89,173)	(25,865)
Purchases of property, plant and equipment	6	(5,835)	(17,661)	(17,920)
Purchases of intangible assets	8	(1,821)	(376)	(2,638)
Amounts received from related parties		363,370	91,019	146,645
Amounts paid to related parties		(538,866)	(57,020)	(68,238)
Net cash (used in)/generated from investing activities		<u>(263,294)</u>	<u>(73,211)</u>	<u>31,984</u>
Cash flows from financing activities				
Proceeds from borrowings from bank		200,000	–	330,000
Repayments of borrowings from bank		–	(40,000)	(50,000)
Interests paid to borrowings from bank		(13,762)	(12,917)	(33,658)
Amounts received from related parties		663,371	210,441	174,376
Amounts paid to related parties		(689,055)	(5,020)	(423,797)
Repayments of loans from related parties		(25,183)	–	–
Interests paid to related parties		(747)	–	–
Net cash generated from/(used in) financing activities		<u>134,624</u>	<u>152,504</u>	<u>(3,079)</u>
Net decrease in cash		(112,642)	(357)	(1,212)
Cash at beginning of the year		<u>128,120</u>	<u>15,478</u>	<u>15,121</u>
Cash at end of the year		<u><u>15,478</u></u>	<u><u>15,121</u></u>	<u><u>13,909</u></u>

II. NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION**

Zhejiang Outlets Property Real Estate Co., Ltd. ("Target Company A") was incorporated with limited liability in the PRC on 6 May 2010. The registered address is No.518, West Binhu Road, Huzhou City, Zhejiang Province, the PRC.

Target Company A is principally engaged in capital outlets investment property operation business in the PRC.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Target Company A's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

2.1 Going concern

As at 31 December 2015, Target Company A's current liabilities exceeded its current assets by RMB111,193,000. Target Company A's abilities to continue as going concerns are highly dependent on the continuing financial support from its equity holder, Beijing Capital Land Ltd. ("BCL"), the holding company confirmed its intention to provide continuing financial support to Target Company A in the earlier of the coming 12 months up to 31 December 2016 and the completion date of the proposed acquisition of Target Company A by the Company so as to enable Target Company A to meet their liabilities as and when they fall due and to carry on their business without a significant curtailment of operation for the foreseeable future. The Company confirmed its intention to provide continuing financial support to Target Company A up to 31 December 2016 starting from the completion date of the proposed acquisition of Target Company A by the Company, if completed. On this basis, the directors of the Company believe that Target Company A will continue as going concern. Consequently, the directors of the Company have prepared the Financial Information on a going concern basis.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

- (a) All standards and interpretations effective beginning on 1 January 2015 have been consistently applied to the Relevant Periods.
- (b) **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the Financial Information. None of these is expected to have a significant effect on the Financial Information of Target Company A, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Target Company A is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. Target Company A is assessing the impact of HKFRS 15.

Amendments to HKAS 1 "Disclosure initiative" clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. These amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial information to their circumstances and the needs of users.

The amendments to HKAS 1 is effective for annual periods beginning on or after 1 January 2016. Target Company A is yet to assess HKAS 1's full impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on Target Company A.

3.2 Foreign currencies

The Financial Information is presented in RMB, which is Target Company A's functional currency and presentation currency. Foreign currency transactions recorded by Target Company A are initially recorded using the 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 the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 item 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 the 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).

3.3 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 the statement of 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 assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Target Company A recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3-5 years
Office equipment	3-5 years
Motor vehicles	3-6 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 the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gain or loss on disposal or retirement recognised in the statement of 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.

3.4 Investment property

Investment properties, including land use rights and buildings that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to Target Company A and their cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

Target Company A adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

- (a) There is an active property market where the investment property locates.
- (b) Target Company A can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit and loss account of Target Company A.

When objective evidence indicates that the purpose of the real estate has changed and Target Company A converts investment property to owner-occupied property or real estate inventory, the property's carrying amount is stated at the fair value on the conversion date. When any owner-occupied property or real estate inventory is converted to investment properties to be measured through the fair value model, the fair value on the conversion date is recognised as the carrying amount of the investment property. When the fair value on the conversion date is less than its carrying amount, the difference will be charged to profit or loss for the current period. When the fair value on the conversion date is more than its carrying amount, the difference will be charged to other comprehensive income for property, plant and equipment, and will be charged to profit or loss for inventory.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by Target Company A), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

3.5 Intangible assets

Computer software

Intangible assets are carried at cost less accumulated amortisations and impairment losses. Intangible assets are amortised over their estimated useful lives of 3-5 years on a straight line basis.

3.6 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of 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 the statement of profit or loss in the period in which it arises.

3.7 Financial assets

(a) *Initial recognition and measurement*

Financial assets of Target Company A are classified, at initial recognition, as trade and other receivables. 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.

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

(b) *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Trade and other receivables

Trade and other 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 in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses for receivables.

(c) *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 Target Company A's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Target Company A 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) Target Company A has transferred substantially all the risks and rewards of the asset, or (b) Target Company A has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.8 Impairment of financial assets

Target Company A assesses at the end of each reporting period whether there is any 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 financing 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.

For financial assets carried at amortised cost, Target Company A first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Target Company A determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets 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 assets is reduced through the use of an allowance account and the loss is recognised in the statement of 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. Trade and other 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 Target Company A.

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

3.9 Financial liabilities*(a) Initial recognition and measurement*

Target Company A's financial liabilities include trade and other payables, and interest-bearing bank borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

(b) 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 the statement of 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 expenses in the statement of profit or loss.

(c) 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 the statement of profit or loss.

(d) 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.

3.10 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.11 Cash

Cash comprises cash on hand and deposits that can be readily drawn on demand.

3.12 Paid-in capital

Paid-in capital is classified as equity.

3.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.14 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.

3.15 Current and deferred 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 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 Target Company A 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 carry forward 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 carry forward 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.

3.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Target Company A will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3.17 Employee benefits

Pension schemes

The employees of Target Company A is required to participate in a central pension scheme operated by the local municipal government. Target Company A is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

3.18 Revenue recognition*Rental income*

Target Company A has two types of rental income in investment property operation business.

For most lease agreements with no fixed rental amount, Target Company A recognises income monthly based on certain percentage of the total income of the cooperative lessee.

For lease agreement with fixed rental amount, Target Company A recognises income monthly on a straight-line basis over the lease period. On the condition that Target Company A provides rent free period for certain lessee, Target Company A recognise income by allocating the total rent roll throughout the whole rent period according to straight-line method.

3.19 Interest income

Interest income is recognised using the effective interest method.

3.20 Operating leases

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

4 FINANCIAL RISK MANAGEMENT**4.1 Financial risk factors**

Target Company A's principal financial instruments comprise interest-bearing borrowings from related parties and bank and cash balances. The main purpose of these financial instruments is to raise finance for Target Company A's operations. Target Company A has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from Target Company A's financial instruments are interest rate risk, credit risk and liquidity risk. Target Company A's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on Target Company A's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

Target Company A's interest rate risk arises from non-current borrowings. Borrowings obtained at variable interest rates expose Target Company A to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose Target Company A to fair value interest rate risk. The management continuously monitors the interest rate position and makes decisions with reference to the latest market condition.

At 31 December 2015, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB413,000 (2014: RMB600,000; 2013: RMB750,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Target Company A trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and Target Company A's exposure to bad debts is not significant.

The credit risk of Target Company A's other financial assets, which comprise cash, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since Target Company A trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(c) Liquidity risk

Target Company A's policies are to maintain sufficient cash and to have available funding through bank borrowings to meet its working capital requirements.

The maturity profile of Target Company A's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2013					
Borrowings	40,908	54,871	133,419	–	229,198
Trade and other payables	139,694	–	–	–	139,694
	<u>180,602</u>	<u>54,871</u>	<u>133,419</u>	<u>–</u>	<u>368,892</u>
At 31 December 2014					
Borrowings	51,140	54,876	70,334	–	176,350
Trade and other payables	344,578	–	–	–	344,578
	<u>395,718</u>	<u>54,876</u>	<u>70,334</u>	<u>–</u>	<u>520,928</u>
At 31 December 2015					
Borrowings	51,073	428,999	–	–	480,072
Trade and other payables	135,950	–	–	–	135,950
	<u>187,023</u>	<u>428,999</u>	<u>–</u>	<u>–</u>	<u>616,022</u>

4.2 Fair value estimation

The table below analyses Target Company A's assets carried at fair value as at 31 December 2013, 2014 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015, the investment properties measured at fair value by three levels are analysed below:

Description	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Zhejiang Outlets	—	—	932,000	932,000

As at 31 December 2014, the investment properties measured at fair value by three levels are analysed below:

Description	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Zhejiang Outlets	—	—	923,000	923,000

As at 31 December 2013, the investment properties measured at fair value by three levels are analysed below:

Description	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Zhejiang Outlets	—	—	516,000	516,000

There were no transfers between level 1, 2 and 3 during the period.

Target Company A obtains independent valuations for its investment properties from an independent professional valuer as a third party. The valuations were based on income capitalisation model which mainly used unobservable inputs such as market rent, discount rate and so on.

4.3 Capital risk management

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

Target Company A manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, Target Company A may adjust the dividend payment to shareholders or return capital to shareholders. Target Company A is not subject to any externally imposed capital requirements. During the Relevant Periods, Target Company A used gearing ratio obtained from net debt divided by total equity for the purpose of property industry capital management.

Target Company A monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings, less cash. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total borrowings (<i>Note 12</i>)	200,000	160,000	440,000
Less: cash (<i>Note 11</i>)	(15,478)	(15,121)	(13,909)
Net debt	184,522	144,879	426,091
Total equity	531,685	578,881	461,208
Gearing ratio	35%	25%	92%

The fluctuation of the gearing ratio during year ended 31 December 2013, 2014 and 2015 resulted primarily from fluctuation of borrowings.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Target Company A continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Fair value of investment properties

Target Company A adopts fair value model for subsequent measurement of investment properties and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

Current prices (open market quotations) in an active market for the same or similar investment properties;

When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;

Based on the estimated rental income generated in the future and present value of the related cash flows. Target Company A adopts this method, and the key estimations are disclosed in Note 7.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by Target Company A), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Generally, when the proportion of contracted stores or potentially contracted stores achieve certain amount, Target Company A can make reliable estimation to fair value of investment properties.

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013				
Cost	608	249	65	922
Accumulated depreciation	—	(107)	(26)	(133)
Net book amount	608	142	39	789
Year ended 31 December 2013				
Opening net book amount	608	142	39	789
Additions	4,804	244	787	5,835
Depreciation charge	(149)	(71)	(55)	(275)
Closing net book amount	5,263	315	771	6,349
At 31 December 2013				
Cost	5,412	493	852	6,757
Accumulated depreciation	(149)	(178)	(81)	(408)
Net book amount	5,263	315	771	6,349
Year ended 31 December 2014				
Opening net book amount	5,263	315	771	6,349
Additions	16,982	—	679	17,661
Depreciation charge	(5,349)	(93)	(373)	(5,815)
Closing net book amount	16,896	222	1,077	18,195
At 31 December 2014				
Cost	22,394	493	1,531	24,418
Accumulated depreciation	(5,498)	(271)	(454)	(6,223)
Net book amount	16,896	222	1,077	18,195
Year ended 31 December 2015				
Opening net book amount	16,896	222	1,077	18,195
Additions	17,644	37	239	17,920
Depreciation charge	(8,354)	(86)	(511)	(8,951)
Closing net book amount	26,186	173	805	27,164
At 31 December 2015				
Cost	40,038	530	1,770	42,338
Accumulated depreciation	(13,852)	(357)	(965)	(15,174)
Net book amount	26,186	173	805	27,164

All depreciation expense has been charged in “administrative expenses” for the years ended 31 December 2013, 2014 and 2015.

7 INVESTMENT PROPERTIES

(a) Investment property under construction

	Year ended 31 December RMB'000
At 1 January 2013	421,258
Additions	157,209
Transfer to investment properties in operation	(339,481)
At 31 December 2013	238,986
Additions	105,597
Transfer to investment properties in operation	(302,129)
At 31 December 2014	42,454
Additions	3,295
At 31 December 2015	45,749

(b) Investment property in operation

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
At 1 January	–	516,000	923,000
Transfer from investment properties under construction	339,481	302,129	–
Net gains from fair value adjustment	176,519	104,871	9,000
Closing balance at 31 December	516,000	923,000	932,000
(i) Amounts recognised in profit and loss for investment properties			
Rental income	93	1,301	2,759
Net gains from fair value adjustment	176,519	104,871	9,000
Direct operating expenses from property that generated rental income	(129)	(1,139)	(1,763)
Direct operating expenses from property that did not generate rental income	(165)	(223)	–

Profit or loss recognised in statement of comprehensive income arising from fair value changes, rental income and operating expenses, etc.

As at 31 December 2015, the gains recognised in profit or losses of assets in level 3 held by Target Company A amounted to RMB 290,390,000 (2014: RMB 281,390,000; 2013: RMB 176,519,000).

Target Company A's finance department is in charge of assets' valuation and entrusts an independent valuer to evaluate the fair value of investment properties. The finance department verifies all valuation results, take charge of relative accounting treatment and prepare disclosure information of fair value according to verified valuation results.

Information about fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 31 December 2015 <i>RMB'000</i>	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Zhejiang Outlets	932,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate is, the lower fair value
			Market rents	RMB60 to RMB66 per square meter per month	The higher market rent is, the higher fair value

Investment Properties	Fair value as at 31 December 2014 <i>RMB'000</i>	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Zhejiang Outlets	923,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate is, the lower fair value
			Market rents	RMB58 to RMB64 per square meter per month	The higher market rent is, the higher fair value

Investment Properties	Fair value as at 31 December 2013 <i>RMB'000</i>	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Zhejiang Outlets	516,000	Income approach	Discount rate	7% to 7.5%	The higher discount rate is, the lower fair value
			Market rents	RMB57 to RMB63 per square meter per month	The higher market rent is, the higher fair value

8 INTANGIBLE ASSETS

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
At beginning of the year			
Cost	186	2,007	2,383
Accumulated amortisation	(40)	(78)	(382)
Net book amount	146	1,929	2,001
Year ended			
Opening net book amount	146	1,929	2,001
Additions	1,821	376	2,638
Amortisation	(38)	(304)	(743)
Closing net book amount	1,929	2,001	3,896
At end of the year			
Cost	2,007	2,383	5,021
Accumulated amortisation	(78)	(382)	(1,125)
Net book amount	1,929	2,001	3,896

9 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets	As at 31 December		
	2013 RMB '000	2014 RMB '000	2015 RMB '000
Assets as per balance sheet			
Measured at amortised cost			
Trade and other receivables (excluding prepayments) (Note 10)	181,473	147,408	70,319
Cash (Note 11)	15,478	15,121	13,909
Total	196,951	162,529	84,228
Financial liabilities	As at 31 December		
	2013 RMB '000	2014 RMB '000	2015 RMB '000
Liabilities as per balance sheet			
Measured at amortised cost			
Borrowings (Note 12)	200,000	160,000	440,000
Trade and other payables (excluding employee compensation payable and other taxes payable) (Note 14)	139,694	344,578	135,950
Total	339,694	504,578	575,950

10 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Trade receivables-net (a)	13	109	954
Amounts due from related parties (b)	180,644	146,645	68,238
Tax prepayments for advances receipts from customers	–	661	1,933
Other prepayments	6,359	1,735	373
Others	816	654	1,127
Current portion	187,832	149,804	72,625

The carrying amounts of trade and other receivables approximate their fair values as at 31 December 2013, 2014 and 2015 respectively.

As at 31 December 2015, trade and other receivables of RMB 72,625,000 (2014: RMB 149,804,000; 2013: RMB 187,832,000) were fully performing.

(a) Trade receivables

Proceeds from rental services rendered are to be received in accordance with the term of respective agreement. An ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Within 1 year	13	109	954

(b) Amounts due from related parties were unsecured, interest free and repayable on demand.

(c) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of Target Company A's trade and other receivables were denominated in RMB.

11 CASH

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Cash at bank	15,478	15,121	13,909
Denominated in:			
–RMB	15,478	15,121	13,909

12 BORROWINGS

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Non-current			
Bank borrowings (a)	160,000	110,000	390,000
Current			
Current portion of long-term bank borrowings (a)	40,000	50,000	50,000
Total borrowings	<u>200,000</u>	<u>160,000</u>	<u>440,000</u>

- (a) As at 31 December 2015, bank borrowings amounting to RMB 330,000,000 were secured by the land use rights of investment property; and bank borrowings amounting to RMB 110,000,000 were secured by the land use rights and properties of investment property and guaranteed by Target Company A.

As at 31 December 2014, bank borrowings amounting to RMB 160,000,000 were secured by the land use rights and properties of investment property and guaranteed by Target Company A.

As at 31 December 2013, bank borrowings amounting to RMB 200,000,000 were secured by the land use rights and properties of investment property and guaranteed by Target Company A.

- (b) The maturities of Target Company A's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total borrowings			
– Within 1 year	40,000	50,000	50,000
– Between 1 and 2 years	50,000	50,000	390,000
– Between 2 and 5 years	110,000	60,000	–
	<u>200,000</u>	<u>160,000</u>	<u>440,000</u>

- (c) All Target Company A's borrowings are denominated in RMB.

- (d) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Bank borrowings	7.36%	7.36%	9.07%

- (e) The exposure of Target Company A's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Within 6 months	20,000	25,000	25,000
Between 6 and 12 months	20,000	25,000	25,000
Between 1 and 5 years	160,000	110,000	390,000
	200,000	160,000	440,000

- (f) The carrying amounts of borrowings approximate their respective fair values as at 31 December 2013, 2014 and 2015, as the impact of discounting is not significant. The fair values are based on cash flows discounted using market rate for the years ended 31 December 2013, 2014 and 2015, and are within level 2 of the fair value hierarchy.

13 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities are as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Deferred income tax assets:			
– to be recovered after more than 12 months	–	11,557	39,564
	–	11,557	39,564
Deferred income tax liabilities:			
– to be recovered after more than 12 months	(46,105)	(76,273)	(85,972)
Deferred income tax liabilities(net)	(46,105)	(64,716)	(46,408)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
At beginning of the year	147	(46,105)	(64,716)
Recognised in the statement of comprehensive income (Note 20)	(46,252)	(18,611)	18,308
At end of the year	<u>(46,105)</u>	<u>(64,716)</u>	<u>(46,408)</u>

The movement in deferred income tax assets and liabilities during the years ended 31 December 2013, 2014 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses RMB'000
Deferred income tax assets	
At 1 January 2013	147
Charged to statement of comprehensive income	<u>(147)</u>
At 31 December 2013	–
Credited to statement of comprehensive income	<u>11,557</u>
At 31 December 2014	11,557
Credited to statement of comprehensive income	<u>28,007</u>
At 31 December 2015	<u><u>39,564</u></u>
	Appreciation of investment property at fair value RMB'000
Deferred income tax liabilities	
At 1 January 2013	–
Charged to statement of comprehensive income	<u>46,105</u>
At 31 December 2013	46,105
Charged to statement of comprehensive income	<u>30,168</u>
At 31 December 2014	76,273
Charged to statement of comprehensive income	<u>9,699</u>
At 31 December 2015	<u><u>85,972</u></u>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are going to expire within five years. For the years ended 31 December 2013, 2014 and 2015, Target Company A recognised all deferred income tax assets in respect of losses that can be carried forward against future taxable income.

14 TRADE AND OTHER PAYABLES

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade payables (a)	94,240	93,199	69,820
Employee compensation payable	2,501	2,315	670
Other taxes payable	1,248	61	4,126
Deposits from customers and vendor	670	848	226
Amounts due to related parties (b)	44,000	249,421	–
Dividend payables	–	–	56,473
Interest payable	450	327	6,155
Other payables	334	783	3,276
	<u>143,443</u>	<u>346,954</u>	<u>140,746</u>

The carrying amounts of trade and other payables approximate their fair values.

(a) An ageing analysis of the trade payables is as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 1 year	<u>94,240</u>	<u>93,199</u>	<u>69,820</u>

(b) Amounts due to related parties were unsecured, interest free and repayable on demand.

15 OTHER GAINS – NET

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Net gains from fair value adjustment on investment properties (Note 7)	176,519	104,871	9,000
Others	<u>–</u>	<u>23</u>	<u>543</u>
	<u>176,519</u>	<u>104,894</u>	<u>9,543</u>

16 OTHER INCOME

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Government grants	207,031	–	2,236
Market promotion income	–	1,044	308
Interest income on short-term bank deposits	72	58	325
Others	69	138	215
	<u>207,172</u>	<u>1,240</u>	<u>3,084</u>

17 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Employee benefit expense(<i>Note 18</i>)	6,456	8,428	6,597
Office and traveling expenses	3,814	4,443	3,171
Business entertainment fee	944	1,780	666
Property management fee	1,150	7,548	5,592
Consultancy fee	4,031	906	130
Depreciation and amortisation(<i>Note 6, Note 8</i>)	313	6,119	9,694
Advertising and marketing	3,286	8,362	13,895
Business taxes and other surcharges	2	2,383	6,377
Auditors' remuneration	14	14	28
Other	1,517	1,645	2,983
	<u>21,527</u>	<u>41,628</u>	<u>49,133</u>

18 EMPLOYEE BENEFITS

The employee benefits of Target Company A, including its directors' emoluments is as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	3,944	6,466	5,150
Retirement benefits contribution	710	720	545
Other allowances and benefits	1,802	1,242	902
	<u>6,456</u>	<u>8,428</u>	<u>6,597</u>

Target Company A's employees participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC under which Target Company A was required to make monthly contributions at rates ranging from 10% to 20% depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2013, 2014 and 2015.

19 FINANCE EXPENSES

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Interest expense:			
– Bank borrowings	(14,212)	(12,794)	(39,486)
– Other borrowings	(747)	–	–
Finance expenses	(14,959)	(12,794)	(39,486)
Less: interest capitalised	14,959	12,794	–
Net finance expenses	–	–	(39,486)

Interest expenses were capitalised as investment properties at the rate of 7.36% for the year ended 31 December 2013 and 2014.

20 INCOME TAX EXPENSE

Target Company A is subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income for the years ended 31 December 2013, 2014 and 2015.

The amount of income tax expense charged to the statement of comprehensive income represents:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Current income tax:			
– PRC enterprise income tax	45,494	–	–
Deferred income tax (<i>Note 13</i>)	46,252	18,611	(18,308)
	91,746	18,611	(18,308)

Taxation on Target Company A's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of Target Company A as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Profit/(loss) before income tax	362,257	65,807	(73,233)
Tax calculated at a tax rate of 25%	90,564	16,452	(18,308)
Other non deductible expenses	1,182	2,159	–
Income tax expense	91,746	18,611	(18,308)

21 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Profit/(loss) before income tax	362,257	65,807	(73,233)
Adjustments for:			
– Finance expenses (<i>Note 19</i>)	–	–	39,486
– Amortisation (<i>Note 8</i>)	38	304	743
– Depreciation of property, plant and equipment (<i>Note 6</i>)	275	5,815	8,951
– Fair value gain from investment properties (<i>Note 15</i>)	(176,519)	(104,871)	(9,000)
	186,051	(32,945)	(33,053)
Changes in working capital			
– Trade and other receivables	(6,761)	4,029	(1,228)
– Trade and other payables	(163,097)	(5,405)	4,164
Cash generated from/(used in) operations	<u>16,193</u>	<u>(34,321)</u>	<u>(30,117)</u>

22 CAPITAL COMMITMENTS

Target Company A had the following capital commitments as at 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Contracted but not provided for			
– Investment properties	108,872	68,879	1,775
Authorised but not contracted for			
– Investment properties	525,153	489,394	22,638
	<u>634,025</u>	<u>558,273</u>	<u>24,413</u>

23 RELATED PARTY TRANSACTIONS

During the Relevant Periods, Target Company A is controlled by BCL, which owns 100% of Target Company A's equity interests, the ultimate parent of Target Company A is Beijing Capital Group Co., Ltd. (incorporated in the PRC)

(a) Purchase of services

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Services received from (i):			
– Fellow subsidiary	2,600	–	–
	<u>2,600</u>	<u>–</u>	<u>–</u>

(i) Purchase of services mainly represent consultation services, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Loans due to related parties

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Fellow subsidiaries:			
At 1 January	25,183	–	–
Repayments during year	(25,183)	–	–
Interest charged	747	–	–
Interest paid	(747)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December (Note 14(b))	<u>–</u>	<u>–</u>	<u>–</u>

(c) Amounts due to related parties

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
BCL:			
At 1 January	–	44,000	44,000
Amounts advanced	46,365	2,162	4,407
Repayments	(2,365)	(2,162)	(48,407)
	<u>44,000</u>	<u>44,000</u>	<u>–</u>
At 31 December (Note 14(b))	<u>44,000</u>	<u>44,000</u>	<u>–</u>
Fellow subsidiaries:			
At 1 January	69,684	–	205,421
Amounts advanced	617,006	208,279	169,969
Repayments	(686,690)	(2,858)	(375,390)
	<u>–</u>	<u>205,421</u>	<u>–</u>
At 31 December (Note 14(b))	<u>–</u>	<u>205,421</u>	<u>–</u>

(i) Amounts due to related parties were unsecured, interest free and repayable on demand.

(d) Amounts due from related parties

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
BCL:			
At 1 January	–	–	–
Amounts advanced	–	–	68,238
	<u>–</u>	<u>–</u>	<u>68,238</u>
At 31 December (<i>Note 10(b)</i>)	<u>–</u>	<u>–</u>	<u>68,238</u>
Fellow subsidiaries:			
At 1 January	5,148	180,644	146,645
Amounts advanced	538,866	57,020	–
Repayments	(363,370)	(91,019)	(146,645)
	<u>180,644</u>	<u>146,645</u>	<u>–</u>
At 31 December (<i>Note 10(b)</i>)	<u>180,644</u>	<u>146,645</u>	<u>–</u>

(i) Amounts due from related parties were unsecured, interest free and repayable on demand.

24 EVENTS AFTER THE BALANCE SHEET DATE

Based on the Huzhou Acquisition Agreement dated 8 June 2016, the subsidiary of the Company agreed to acquire 100% equity interests of Zhejiang Outlets Property Real Estate Co., Ltd. at a consideration of RMB473 million.

In accordance with the Circular on the full implementation of Levying Value-added Tax (“VAT”) in place of Business Tax (Caishui No.36, 2016) (the “Circular”) jointly issued by the Ministry of Finance and the State Administration of Taxation, taxpayers providing taxable services included in the Circular would be subject to VAT and no longer to business tax starting from 1 May 2016. Target Company A is still assessing the impact of the Circular.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Target Company A in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by Target Company A in respect of any period subsequent to 31 December 2015.

Yours faithfully,

PricewaterhouseCoopers
 Certified Public Accountants
 Hong Kong

The information set out in this Appendix does not form part of the Accountants' Reports of the Target Companies from PricewaterhouseCoopers as set out in "Appendix II – Accountants' Reports of the Target Companies", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix II – Accountants' Reports of the Target Companies".

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Enlarged Group ("Unaudited Pro Forma Financial Information"), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the transaction, as if the transactions under the Transfer Agreements (the "Transaction") had been completed on 31 December 2015 for the unaudited pro forma consolidated statement of financial position and as if it had taken place on 1 January 2015 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Group had the Acquisition been completed as at 31 December 2015 or 1 January 2015, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2015.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	Pro forma adjustments of transaction				Unaudited
	Audited consolidated statements of comprehensive income of the Group for the year ended 31 December 2015 <i>RMB'000</i> <i>(Note 1)</i>	Audited statements of comprehensive income of Huzhou Outlets for the year ended 31 December 2015 <i>RMB'000</i> <i>(Note 2)</i>	Audited combined statements of comprehensive income of Chuangxin Jianye for the year ended 31 December 2015 <i>RMB'000</i> <i>(Note 2)</i>	Other adjustment <i>RMB'000</i>	Pro forma consolidated statements of comprehensive income of the Enlarged Group for the year ended 31 December 2015 <i>RMB'000</i>
Continuing operation					
Revenue	690,246	2,759	159,086	–	852,091
Cost of sales	(548,173)	(9,425)	(61,540)	–	(619,138)
Gross profit	142,073	(6,666)	97,546	–	232,953
Other income and gains	32,349	12,627	535,081	–	580,057
Selling and distribution expenses	(21,842)	(24,860)	(53,649)	–	(100,351)
Administrative expenses	(23,218)	(14,848)	(66,905)	–	(104,971)
Other expenses	(2,197)	–	–	–	(2,197)
Operating profit/(loss)	127,165	(33,747)	512,073	–	605,491
Finance costs	(29,472)	(39,486)	(46,947)	–	(115,905)
Gain on bargain purchase on acquisition of interests in subsidiaries	259,996	–	–	–	259,996
Share of loss of investment accounted for using the equity method	–	–	(602)	–	(602)
Profit/(loss) before tax from continuing operation	357,689	(73,233)	464,524	–	748,980
Income tax expense	(40,350)	18,308	(115,378)	–	(137,420)
Profit/(loss) for the year from continuing operation	317,339	(54,925)	349,146	–	611,560
Discontinued operation					
Profit for the year from discontinued operation	19,465	–	–	–	19,465
Profit/(loss) for the year	336,804	(54,925)	349,146	–	631,025
Attributable to:					
–Owners of the parent	336,804	(54,925)	349,146	–	631,025

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments of transaction				Unaudited
	Audited consolidated statements of comprehensive income of the Group for the year ended 31 December 2015	Audited statements of comprehensive income of Huzhou Outlets for the year ended 31 December 2015	Audited combined statements of comprehensive income of Chuangxin Jianye for the year ended 31 December 2015	Other adjustment	Pro forma consolidated statements of comprehensive income of the Enlarged Group for the year ended 31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 2)</i>		
Other comprehensive loss:					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	(19,465)	–	–	–	(19,465)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(19,465)	–	–	–	(19,465)
Other comprehensive loss for the year, net of tax	(19,465)	–	–	–	(19,465)
Total comprehensive income/(loss) for the year	317,339	(54,925)	349,146	–	611,560
Attributable to:					
– Owners of the parent	317,339	(54,925)	349,146	–	611,560

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	Pro forma adjustments of transaction				Unaudited
	Audited consolidated balance sheet of the Group as at 31 December 2015	Audited balance sheet of Huzhou Outlets as at 31 December 2015	Audited combined balance sheet of Chuangxin Jianye as at 31 December 2015	Other adjustment	Pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2015
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 2)	RMB'000 (Notes 3&4&5&6&8)	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	1,216	27,164	59,161	–	87,541
Investment properties	604,255	977,749	2,662,867	–	4,244,871
Intangible assets	–	3,896	42	–	3,938
Deferred income tax assets	–	–	15,288	–	15,288
Total non-current assets	605,471	1,008,809	2,737,358	–	4,351,638
Current assets					
Inventories	2,535,503	–	–	–	2,535,503
Trade and other receivables	83,806	72,625	160,107	(71,732)	244,806
Prepaid tax	60,759	–	–	–	60,759
Restricted cash	201,125	–	–	–	201,125
Cash and cash equivalents	1,637,356	13,909	147,257	–	1,798,522
Total current assets	4,518,549	86,534	307,364	(71,732)	4,840,715
Total assets	5,124,020	1,095,343	3,044,722	(71,732)	9,192,353
LIABILITIES					
Current liabilities					
Trade and other payables	1,639,431	140,746	1,280,650	(1,003,008)	2,057,819
Advances from customers	–	706	2,680	–	3,386
Borrowings	–	50,000	110,000	–	160,000
Current income tax liabilities	–	6,275	4,485	–	10,760
Tax payables	72,977	–	–	–	72,977
Total current liabilities	1,712,408	197,727	1,397,815	(1,003,008)	2,304,942
NET CURRENT ASSETS/ (LIABILITIES)	2,806,141	(111,193)	(1,090,451)	931,276	2,535,773
TOTAL ASSETS LESS CURRENT LIABILITIES	3,411,612	897,616	1,646,907	931,276	6,887,411

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments of transaction				Unaudited Pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2015 RMB'000 (Note 1)
	Audited consolidated balance sheet of the Group as at 31 December 2015 RMB'000 (Note 1)	Audited balance sheet of Huzhou Outlets as at 31 December 2015 RMB'000 (Note 2)	Audited combined balance sheet of Chuangxin Jianye as at 31 December 2015 RMB'000 (Note 2)	Other adjustment RMB'000 (Notes 3&4& 5&6&8)	
Non-current liabilities					
Guaranteed notes	1,292,919	–	–	–	1,292,919
Borrowings and loans	–	390,000	730,000	–	1,120,000
Deferred income tax liabilities	132,742	46,408	228,162	–	407,312
Total non-current liabilities	1,425,661	436,408	958,162	–	2,820,231
Total liabilities	3,138,069	634,135	2,355,977	(1,003,008)	5,125,173
Net assets	1,985,951	461,208	688,745	931,276	4,067,180
EQUITY					
Equity attributable to owners of the parent					
Share capital	7,447	261,598	50,000	(304,023)	15,022
Reserve	1,647,972	13,770	–	1,237,418	2,899,160
Retained earnings	330,532	185,840	638,745	(2,119)	1,152,998
Total equity	1,985,951	461,208	688,745	931,276	4,067,180
Total equity and liabilities	5,124,020	1,095,343	3,044,722	(71,732)	9,192,353

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	Pro forma adjustments of transaction				Unaudited Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2015 RMB'000 (Note 1)
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2015 RMB'000 (Note 1)	Audited cash flow statement of Huzhou Outlets for the year ended 31 December 2015 RMB'000 (Note 2)	Audited combined cash flow statement of Chuangxin Jianye for the year ended 31 December 2015 RMB'000 (Note 2)	Other adjustment RMB'000 (Notes 3&6&8)	
Cash flows from operating activities					
Profit/(loss) before income tax:					
From continuing operation	357,689	(73,233)	464,524	–	748,980
From discontinued operation	19,465	–	–	–	19,465
Adjustments for:					
Finance costs	29,472	39,486	46,947	–	115,905
Interest income	(22,640)	–	(151,027)	–	(173,667)
Amortisation	–	743	2	–	745
Depreciation	105	8,951	12,713	–	21,769
Net gains from fair value adjustment on investment properties	–	(9,000)	(386,111)	–	(395,111)
Gain on bargain purchase on acquisition of interests in subsidiaries	(259,996)	–	–	–	(259,996)
Share of loss of investment accounted for using the equity method	–	–	602	–	602
Gain on disposal of subsidiaries	(19,465)	–	–	–	(19,465)
Net cash generated from/(used in) operating activities	104,630	(33,053)	(12,350)	–	59,227
Increase in inventories	(453,910)	–	–	–	(453,910)
Increase in trade and other receivables	(8,394)	(1,228)	(34,790)	–	(44,412)
Increase in restricted cash	(191,578)	–	–	–	(191,578)
Increase/(decrease) in trade and other payables	283,465	4,164	(62,006)	–	225,623
Effect of foreign exchange rate changes, net	(8,386)	–	–	–	(8,386)
Cash used in operations	(274,173)	(30,117)	(109,146)	–	(413,436)
PRC corporate income tax paid	(24,765)	–	2,459	–	(22,306)
PRC land appreciation tax paid	(23,338)	–	–	–	(23,338)
Net cash flows used in operating activities	(322,276)	(30,117)	(106,687)	–	(459,080)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments of transaction				Unaudited Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2015 RMB'000 (Note 1)
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2015 RMB'000 (Note 2)	Audited cash flow statement of Huzhou Outlets for the year ended 31 December 2015 RMB'000 (Note 2)	Audited combined cash flow statement of Chuangxin Jianye for the year ended 31 December 2015 RMB'000 (Note 2)	Other adjustment RMB'000 (Notes 3&6&8)	
Cash flows from investing activities					
Interest received from related parties	22,640	–	195,132	–	217,772
Purchase of property, plant and equipment	(1,068)	(17,920)	(30,738)	–	(49,726)
Purchases of intangible assets	–	(2,638)	(44)	–	(2,682)
Additions to investment properties	(394,801)	(25,865)	(215,516)	–	(636,182)
Funds entrusted to related parties	(2,634,000)	(68,238)	(3,003,884)	169,969	(5,536,153)
Funds transferred back from related parties	2,634,000	146,645	7,446,853	(495,617)	9,731,881
Loan repayments received from related parties	–	–	948,102	–	948,102
Loans granted to related parties	–	–	(395,543)	–	(395,543)
Decrease in pledged deposits	10,000	–	–	–	10,000
Business combination under common control	(294)	–	–	–	(294)
Acquisition of interests in subsidiaries	71,785	–	–	–	71,785
Disposal of subsidiaries	(36,381)	–	–	–	(36,381)
Net cash flows (used in)/generated from investing activities	(328,119)	31,984	4,944,362	(325,648)	4,322,579

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments of transaction				Unaudited Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2015 RMB'000 (Note 1)
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2015 RMB'000 (Note 1)	Audited cash flow statement of Huzhou Outlets for the year ended 31 December 2015 RMB'000 (Note 2)	Audited combined cash flow statement of Chuangxin Jianye for the year ended 31 December 2015 RMB'000 (Note 2)	Other adjustment RMB'000 (Notes 3&6&8)	
Cash flows from financing activities					
Proceeds from issue of convertible preference shares	1,562,692	–	–	2,105,807	3,668,499
Business combination under common control	–	–	–	(1,158,642)	(1,158,642)
Cash paid for purchasing 1% equity interests in Outlets Property Investment Fanshan Ltd. (“Fangshan Outlets”)	–	–	–	(15,889)	(15,889)
Proceeds from issue of guaranteed notes	1,291,940	–	–	–	1,291,940
Amounts received from related parties	–	174,376	7,468,079	(169,969)	7,472,486
Amounts paid to related parties	–	(423,797)	(10,953,868)	(435,659)	(11,813,324)
Repayments of borrowings from related parties	–	–	(1,511,800)	–	(1,511,800)
Interests paid to related parties	–	–	(91,968)	–	(91,968)
New bank loans	4,004	330,000	50,000	–	384,004
Repayment of bank loans	(182,074)	(50,000)	(80,000)	–	(312,074)
Dividends paid	(572,078)	–	–	–	(572,078)
Interests paid to borrowings from bank	(9,105)	(33,658)	(59,643)	–	(102,406)
Cash flows generated from/(used in) financing activities	2,095,379	(3,079)	(5,179,200)	325,648	(2,761,252)
Net increase/(decrease) in cash and cash equivalents	1,444,984	(1,212)	(341,525)	–	1,102,247
Cash and cash equivalents at beginning of year	182,088	15,121	488,782	–	685,991
Effect on foreign exchange rate change	10,284	–	–	–	10,284
Cash and cash equivalents at end of year	1,637,356	13,909	147,257	–	1,798,522
Analysis of balances of cash and cash equivalents					
Cash and bank balances	793,640	13,909	147,257	–	954,806
Non-pledged time deposits with original maturity of less than three months when acquired	843,716	–	–	–	843,716
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated cash flow statement	1,637,356	13,909	147,257	–	1,798,522

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

1. The audited consolidated statement of financial position of Beijing Capital Juda Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2015, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year 2015 are extracted from the published annual report of the Group for the year ended 31 December 2015.
2. The audited statement of financial position of Huzhou Outlets and the audited combined statement of financial position of Chuangxin Jianye (together, “the Target Companies”) as at 31 December 2015, the audited statement of comprehensive income and the audited cash flow statement of Huzhou Outlets and the audited combined statement of comprehensive income and the audited combined cash flow statement of Chuangxin Jianye for the year ended 31 December 2015 are extracted from the Accountant’s Reports as set out in Appendix II in this Circular.
3. Since the Group and the Target companies are all under the common control of Beijing Capital Land Ltd. (“BCL”, parent company of the Company) and that control is not transitory, the Transactions are considered as business combination under common control, as if the acquisitions had been occurred and both of the Target companies had combined from the beginning of the earliest financial period of the consolidated financial statements presented or the date when they were first under the common control, where this is the shorter period.

The net assets of the Group and the Target companies are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of the Group’s interest in the net fair value of both of the Target companies’ identifiable assets, liabilities and contingent liabilities over costs of acquisitions at the time of the business combinations under common control. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium).

- 3.1 Details of the calculation of capital surplus is set out as follows:

	<i>RMB’000</i>
Total consideration of acquisition of equity interests and shareholder’s loan in the Target companies	2,372,327
Less: carrying amount of shareholder’s loan in the Target companies	(931,276)
Less: carrying amount of the equity interests obtained	(1,149,953)
Less: Shareholder’s loan received from 1 January 2016 to the completion date of the Transaction	(266,520)
The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination	24,578

Above difference will be recognised as deduction of reserve in the Group’s consolidated owner’s equity.

- 3.2 In accordance with the Transfer Agreements, the total consideration is RMB 2,372,327,000, for equity interests and shareholder’s loan in the Target Companies, RMB 1,174,531,000 and RMB 1,197,796,000 respectively, which will be settled in cash.

3.3 The details of the adjustments of equity items are set out as below:

a. The adjustments of share capital:

	<i>RMB'000</i>	
Share capital increased for Issue of CPS	7,575	<i>Note 6</i>
Elimination of share capital of the Target Companies	(311,598)	<i>Note 4</i>
	<u>(304,023)</u>	

b. The adjustments of reserve:

	<i>RMB'000</i>	
Share premium of issue of CPS	2,098,232	<i>Note 6</i>
Capital surplus decreased for business combination under common control	(24,578)	<i>Note 3.1</i>
Elimination of the reserve of the Target Companies	(47,047)	<i>Note 4,7</i>
Retained earnings restated of the Target Companies	(822,466)	<i>Note 5</i>
Investment Property fair value gain after tax generated from acquisition of Huzhou Outlets	33,277	<i>Note7</i>
	<u>1,237,418</u>	

c. The adjustments of retained earnings:

	<i>RMB'000</i>	
Elimination of the pre-acquisition retained earnings of the Target Companies	(775,419)	<i>Note 4</i>
Retained earnings restated of the Target Companies	822,466	<i>Note 5</i>
Carrying amount of 1% equity interests in Fangshan Outlets	(15,757)	<i>Note 4</i>
Investment property fair value gain after tax generated from acquisition of Huzhou Outlets	(33,277)	<i>Note7</i>
Excess of consideration of purchasing 1% equity interests in Fangshan Outlets over the equity acquired	(132)	<i>Note 4</i>
	<u>(2,119)</u>	

The above adjustments of equity items are normal adjustments according to the accounting policies which will be used in business combination under common control, and the same adjustments resulting from business combination under common control will be used in future consolidation process for financial statements of the Company.

4. The adjustments represent (i) the elimination of issued capital of Target Companies amounting to RMB311,598,000; (ii) the elimination of the reserves of Target Companies amounting to RMB13,770,000; and (iii) the elimination of the pre-acquisition retained earnings of the Target Companies amounting to RMB775,419,000, which equals retained earnings of the Target Companies RMB824,585,000 less consideration of purchasing 1% equity interests in Fangshan Outlets held by China Creative Properties Limited ("China Creative", a wholly-owned subsidiary of BCL, which is RMB15,889,000 and investment properties fair value gain after tax generated from acquisition of Huzhou Outlets, which is RMB 33,277,000.

The Company entered into an equity transfer agreement with Chuangxin Jianye on 8 June 2016 and agreed that subsidiaries of the Company acquire 100% equity interests of Chuangxin Jianye, before which, Chuangxin Jianye should have acquired the 1% equity interests of Fangshan Outlets which held by China Creative, after which, Fangshan Outlets will become wholly-owned subsidiary of Chuangxin Jianye. To meet the above term, Chuangxin Jianye and China Creative came to an agreement on 28 April 2016 and agreed that Chuangxin Jianye acquires 1% equity interests in Fangshan Outlets from China Creative with consideration of RMB15,889,000.

5. The prior years' consolidated financial statements will be restated and presented as if the entities had been combined at the beginning of the comparative period or when they first came under common control, whichever is later. That resulting in retained earnings increased by RMB 822,466,000 and the reserve decreased by the same amount.
6. For funding and settlement of the consideration, the Company will issue 905,951,470 CPS of HK\$0.01 each, for the price of HK\$ 2.78 each. The adjustments include an increase in CPS of HK\$2,518,545,086 (RMB: 2,105,807,000 in accordance with the Transfer Agreements), resulting in credits to share capital of approximately RMB7,575,000 (equivalent to approximately HK\$9,060,000) (the translation from HK\$ to RMB was made at exchange rate of HK\$1 to RMB0.8361 specified in CPS subscription agreement) with par value of HK\$0.01 each and share premium of RMB2,098,232,000 (equivalent to approximately HK\$2,509,485,000) respectively.
7. BCL acquired 100% equity interests of Huzhou Outlets from Leadluck Limited on 31 December 2012, which is identified as an business combination involving enterprises not under common control, and based on valuation report and consideration paid, the cost of investment property under construction of Huzhou Outlets was added from valuation amounted to RMB44,370,000. As a result, the cost of investment property of Huzhou Outlets added by RMB44,370,000, and the net gains from fair value adjustment on investment properties decreased by the same amount, the corresponding effect to deferred income tax liability is RMB11,093,000, the after tax effect amount is RMB33,277,000.
8. The adjustment represents the inter-group elimination between the Group and the Target Companies.
9. No other adjustments have been made to reflect any trading results or other transactions of the Group and of the Target Companies subsequent to 31 December 2015.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF BEIJING CAPITAL JUDA LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Capital Juda Limited (the "Company") and its subsidiaries (collectively the "Group"), and Zhejiang Outlets Property Real Estate Co., Ltd. ("Huzhou Outlets"), investment property operation business of Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye"), its subsidiaries and one joint venture engaged in Capital Outlets investment property operation business, (together, the "Target Companies") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2015, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2015, the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-11 of the Company's circular dated 30 June 2016, in connection with the proposed acquisition of the Target Companies (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-11.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2015 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Transaction had taken place at 31 December 2015 and 1 January 2015 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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羅兵咸永道

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities for the Unaudited Pro Forma Financial Information

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2015 or 1 January 2015 would have been as presented.



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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 June 2016

The following is the management discussion and analysis on the Target Companies for the years ended 31 December 2013, 2014 and 2015. The following financial information is based on the Accountants' Reports of the Target Companies as set out in Appendix II to this circular.

I. Chuangxin Jianye

A. Business review

Prior to the Acquisition, Chuangxin Jianye directly holds the entire issued share capital of each of Kunshan Dongxin, Kunshan Outlets, Beijing Hengsheng and Beijing Yangguang and 99% of the issued share capital of Fangshan Outlets. The remaining 1% of the issued share capital of Fangshan Outlets is directly held by China Creative, a wholly-owned subsidiary of BCL. BCL will procure the intra-group transfer of the 1% issued share capital of Fangshan Outlets to Chuangxin Jianye on or prior to Completion. “Chuangxin Jianye” referred to hereunder in this appendix shall mean Chuangxin Jianye and its subsidiaries.

Fangshan Outlets holds an outlets-backed commercial integrated project in Fangshan District, Beijing, the PRC, a national “AAA” tourist attraction which comprises over 250 street-level outlet shops, a multi-story complex and supporting facilities. As at 31 December 2015, it has attracted over 24.3 million tourists since its opening in May 2013. The revenue mainly arises from rental income, which is derived from contracts based on fixed rent and contracts based on a percentage of the sales of the relevant tenants.

Kunshan Dongxin and Kunshan Outlets together hold an outlets-backed commercial integrated project in Kunshan, Jiangsu Province, the PRC, which comprises over 350 outlet shops and other supporting facilities. As at 31 December 2015, it has attracted over 490 thousand visitors since its opening in September 2015. The revenue mainly arises from rental income, which is derived from contracts based on fixed rent and contracts based on a percentage of the sales of the relevant tenants.

Beijing Hengsheng is the registered holder of the registered trademarks “Capital Outlets”, “Capitol Outlets” and “瀾錦滙” in the PRC. Beijing Yangguang does not hold any trademarks. As at the Latest Practicable Date, Beijing Hengsheng and Beijing Yangguang are commercial property management and advisory companies.

Subsequent to completion of the Chuangxin Jianye Acquisition Agreement, Chuangxin Jianye will continue to focus on the development of its existing property projects.

B. Financial review**Financial performance***Segment information*

For the years ended 31 December 2013, 2014 and 2015, Chuangxin Jianye had identified three reportable segments, namely (a) the Outlets Property Investment Fang Shan Ltd. (“Fangshan Outlets”) segment, which is mainly engaged in investment property operations in the Beijing region; (b) the Beijing Hengsheng Huaxing Investment Management Co., Ltd. (“Beijing Hengsheng”) segment, which is mainly engaged in management consulting for investment property business in the Beijing region; and (c) the Kunshan segment, which is mainly engaged in investment property operations in the Kunshan region.

The segment results for the years ended 31 December 2013, 2014 and 2015 are set out below:

	Fangshan Outlets <i>RMB'000</i>	Beijing Hengsheng <i>RMB'000</i>	Kunshan <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2013						
Revenue (from external customers)	<u>46,812</u>	<u>10,723</u>	<u>–</u>	<u>10,160</u>	<u>–</u>	<u>67,695</u>
Operating profit/(loss)	<u>16,590</u>	<u>(2,174)</u>	<u>(376)</u>	<u>60,395</u>	<u>–</u>	<u>74,435</u>
Finance expenses	(42,738)	–	(4)	(93,225)	–	(135,967)
Share of loss of investment accounted for using the equity method	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5)</u>	<u>–</u>	<u>(5)</u>
Loss before income tax	<u>(26,148)</u>	<u>(2,174)</u>	<u>(380)</u>	<u>(32,835)</u>	<u>–</u>	<u>(61,537)</u>
Income tax expense	<u>6,536</u>	<u>–</u>	<u>95</u>	<u>(1,126)</u>	<u>–</u>	<u>5,505</u>
Segment results	<u>(19,612)</u>	<u>(2,174)</u>	<u>(285)</u>	<u>(33,961)</u>	<u>–</u>	<u>(56,032)</u>

	Fangshan RMB'000	Hengsheng Huaxing RMB'000	Kunshan RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Year ended 31 December 2014						
Revenue (from external customers)	116,257	11,321	–	–	–	127,578
Operating profit/(loss)	245,892	759	(1,729)	19,699	–	264,621
Finance expenses	(42,136)	–	–	(91,968)	–	(134,104)
Profit/(loss) before income tax	203,756	759	(1,729)	(72,269)	–	130,517
Income tax expense	(50,939)	–	432	17,065	–	(33,442)
Segment results	152,817	759	(1,297)	(55,204)	–	97,075
Year ended 31 December 2015						
Revenue (from external customers)	147,852	4,784	6,450	–	–	159,086
Operating profit	347,532	62,566	128,941	14,032	(40,998)	512,073
Finance expenses	(36,887)	(40,998)	(10,059)	(1)	40,998	(46,947)
Share of loss of investment accounted for using the equity method	–	–	–	(602)	–	(602)
Profit before income tax	310,645	21,568	118,882	13,429	–	464,524
Income tax expense	(77,660)	(4,485)	(29,721)	(3,512)	–	(115,378)
Segment results	232,985	17,083	89,161	9,917	–	349,146

Revenue

The revenue of Chuangxin Jianye increased from approximately RMB67.7 million in 2013 to approximately RMB127.6 million in 2014 mainly due to the outlets-backed commercial integrated project of Fangshan Outlets opened in May 2013, and the relevant revenue in 2013 was only for the remaining eight months while the relevant revenue for the full year was recorded in 2014. The revenue further increased from approximately RMB127.6 million in 2014 to approximately RMB159.1 million in 2015 mainly due to the increase in rental income led by stronger sales performance in 2015 of the tenants of Fangshan Outlets in 2015 with the gradual increase of customers to its outlets-backed commercial integrated project.

Cost of sales

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Property management fee	25,170	33,942	38,833
Business taxes and other levies	15,445	17,079	22,707
Total	<u>40,615</u>	<u>51,021</u>	<u>61,540</u>

The cost of sales of Chuangxin Jianye increased from approximately RMB40.6 million in 2013 to approximately RMB51.0 million in 2014, and further increased to approximately RMB61.5 million in 2015 which was consistent with the sales and revenue trend for the relevant years and due to the gradual implementation of the scope of operations of the outlets-backed commercial integrated project of Fangshan Outlets since its opening in May 2013.

Selling and marketing expenses

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Employee benefit expense	–	4,299	4,502
Office and traveling expenses	75	1,092	1,388
Business Entertainment fee	612	259	677
Consultancy fee	–	7	–
Depreciation and Amortization	1,703	8,882	8,663
Advertising and marketing	39,343	32,347	38,319
Others	160	172	100
Total	<u>41,893</u>	<u>47,058</u>	<u>53,649</u>

The selling and marketing expenses of Chuangxin Jianye increased from approximately RMB41.9 million in 2013 to approximately RMB47.1 million in 2014, and further increased to approximately RMB53.6 million in 2015 mainly due to (a) the increase in employee related costs led by the increase in employees involved in selling and marketing in 2014, which resulted in the increase in employee benefit expense and office travelling expenses in 2014 and 2015; (b) the increase in depreciation and amortization increased in 2014 and 2015 as a result of large scale leasehold improvements in the outlets-backed commercial integrated project of Fangshan Outlets in 2013, which corresponding depreciation costs was recorded in subsequent years; and (c) the advertising and marketing expenses remained at high levels due to promotions relating to the opening of the outlets-backed commercial integrated project for Fangshan Outlets in May 2013 and for Kunshan in September 2015.

Administrative expenses

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Employee benefit expense	19,864	25,329	29,532
Office and traveling expenses	13,166	12,633	19,301
Business Entertainment fee	2,419	1,320	1,723
Consultancy fee	2,367	5,943	8,461
Depreciation and Amortization	756	1,955	4,052
Auditor's remuneration	160	172	100
Other	7,417	1,180	3,736
Total	46,149	48,532	66,905

The administrative expenses of Chuangxin Jianye increased from approximately RMB46.1 million in 2013 to approximately RMB48.5 million in 2014, and further increased to approximately RMB66.9 million in 2015 mainly due to the increase in employees in 2014 and 2015 for enhancing the administration and support functions for the gradual expansion of operations for the outlets-backed commercial integrated project of Fangshan Outlets, together with the upward pressure on wages, which resulted in the increase in employee benefit expense and office and travelling expenses in 2014 and 2015.

Gross profit margin

The gross profit margin of Chuangxin Jianye increased from approximately 40.0% in 2013 to approximately 60.0% in 2014. The lower gross profit margin in 2013 was mainly due to the outlets-backed commercial integrated project of Fangshan Outlets newly opened in May 2013 and the relevant operations was in a start-up stage with a stable level of overhead costs whilst revenue had only started to grow. The gross profit margin slightly increased from approximately 60.0% in 2014 to approximately 61.3% in 2015 mainly due to effective cost controls implemented by Fangshan Outlets.

Net other gains

The net other gains of Chuangxin Jianye increased from approximately RMB37.9 million in 2013 to approximately RMB195.9 million in 2014, and further increased to approximately RMB381.7 million in 2015, which was mainly due to the appreciation of investment property at fair value for the respective years led by the inflation on the land and construction costs and the income growth for investment properties for the relevant years.

Other income

The other income of Chuangxin Jianye slightly decreased from approximately RMB97.5 million in 2013 to approximately RMB87.8 million in 2014, and increased to approximately RMB153.3 million in 2015, which was mainly due to changes in the interest income from loans to related parties, mainly contributed by the fluctuation in the average balance of the relevant loans in the respective years.

Finance expenses

The finance expenses of Chuangxin Jianye mainly represented the interest expenses in relation to interest bearing bank borrowings and related parties borrowings, which decreased from approximately RMB136.0 million in 2013 to approximately RMB134.1 million in 2014, and then further decreased to approximately RMB46.9 million in 2015, mainly due to the decrease in the average balance of relevant borrowings for the respective years primarily as a result of the significant settlement of related parties borrowings in 2015.

Income tax

The income tax expense mainly represented the PRC enterprise income tax based on the assessable profits in the PRC of Chuangxin Jianye. The income tax expense for the years ended 31 December 2013, 2014 and 2015 was approximately RMB(5.5) million, RMB33.4 million and RMB115.4 million, respectively. The effective income tax rates for 2013, 2014 and 2015 was approximately 9%, 26% and 25%, respectively. The effective income tax rate in 2013 was significantly lower than the enacted tax rate applicable to Chuangxin Jianye, mainly due to approximately RMB9.88 million tax losses for which no deferred income tax asset was recognised. For more details, please refer to note 23 of the Accountants' Report of the Target Companies in Appendix II – Part 1 to this circular.

Profit/(loss) for the year

As a result of the discussions above, Chuangxin Jianye recorded (losses)/profits for the years ended 31 December 2013, 2014 and 2015 of approximately RMB(56.0) million, RMB97.1 million and RMB349.1 million, respectively.

Financial position*As at 31 December 2013*

The non-current assets and current assets of Chuangxin Jianye as at 31 December 2013 were approximately RMB1,609.5 million and RMB3,357.1 million, respectively. Chuangxin Jianye's non-current assets as at 31 December 2013 mainly comprised of investment properties and its current assets as at 31 December 2013 mainly comprised of trade and other receivables.

The non-current liabilities and current liabilities of Chuangxin Jianye as at 31 December 2013 were approximately RMB639.7 million and RMB4,085.1 million, respectively. Chuangxin Jianye's non-current liabilities as at 31 December 2013 mainly comprised of borrowings and its current liabilities as at 31 December 2013 mainly comprised of trade and other payables.

As at 31 December 2014

The non-current assets and current assets of Chuangxin Jianye as at 31 December 2014 were approximately RMB2,163.9 million and RMB5,655.5 million, respectively. Chuangxin Jianye's non-current assets as at 31 December 2014 mainly comprised of investment properties, which increased as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the increase in investment properties as a result of the construction of investment properties and net gains from fair value adjustment led by the inflation on the land and construction costs and the income growth for investment properties for the relevant years. Chuangxin Jianye's current assets as at 31 December 2014 mainly comprised of trade and other receivables, which increased as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the increase in trade and other receivables mainly arising from the increase in amounts due from related parties in 2014.

The non-current liabilities and current liabilities of Chuangxin Jianye as at 31 December 2014 were approximately RMB910.7 million and RMB6,569.1 million, respectively. Chuangxin Jianye's non-current liabilities as at 31 December 2014 mainly comprised of borrowings, which increased as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the increase in bank borrowings in 2014. Chuangxin Jianye's current liabilities as at 31 December 2014 mainly comprised of trade and other payables and borrowings, which increased as at 31 December 2014 when compared with that as at 31 December 2014 mainly due to the increase in related parties borrowings in 2014 and the increase in amounts due to related parties in 2014.

As at 31 December 2015

The non-current assets and current assets of Chuangxin Jianye as at 31 December 2015 were approximately RMB2,737.4 million and RMB307.4 million, respectively. Chuangxin Jianye's non-current assets as at 31 December 2015 mainly comprised of investment properties, which increased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the increase in investment properties as a result of the construction of investment properties and net gains from fair value adjustment led by the inflation on the land and construction costs and the income growth for investment properties for the relevant years. Chuangxin Jianye's current assets as at 31 December 2015 mainly comprised of trade and other receivables, which significantly decreased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the decrease in trade and other receivables mainly arising from the significant decrease in amounts due from related parties in 2015. The loans to related parties and the remaining amounts due from related parties are currently expected to be settled in full prior to or upon Completion.

The non-current liabilities and current liabilities of Chuangxin Jianye as at 31 December 2015 were approximately RMB958.2 million and RMB1,397.8 million, respectively. Chuangxin Jianye's non-current liabilities as at 31 December 2015 mainly comprised of borrowings, which increased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the accumulation of deferred income tax liabilities. Chuangxin Jianye's current liabilities as at 31 December 2015 mainly comprised of trade and other payables, which significantly decreased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the decrease in related parties borrowings in 2015 and the decrease in trade and other receivables mainly arising from the significant decrease in amounts due to related parties in 2015. The loans from related parties and the remaining amounts due to related parties are currently expected to be settled in full prior to or upon Completion.

Liquidity and financial resources

As at 31 December 2013, 2014 and 2015, Chuangxin Jianye had net current liabilities of approximately RMB728.0 million, RMB913.6 million and RMB1,090.5 million, respectively. The increase in net current liabilities in 2014 as compared to 2013 primarily reflected the increase in trade and other payables and borrowings, which effect was reduced by the increase in cash and trade and other receivables. The further increase in net current liabilities in 2015 as compared to 2014 primarily reflected the decrease in trade and other payables and borrowings, which effect was outweighed by the decrease in trade and other receivables and cash.

Chuangxin Jianye recorded a net cash inflow of approximately RMB217.7 million for the year ended 31 December 2013, contributed by amounts received from related parties and loans repayments received from related parties, which effect was reduced by the amounts paid to related parties and the loans granted to related parties. For the year ended 31 December 2014, Chuangxin Jianye recorded a net cash inflow of approximately RMB182.5 million, contributed by amounts received from related parties and loans repayments received from related parties, which effect was reduced by the amounts paid to related parties and the loans granted to related parties. For the year ended 31 December 2015, Chuangxin Jianye recorded a net cash outflow of approximately RMB341.5 million, contributed by amounts received from related parties and loans repayments received from related parties, which effect was outweighed by the amounts paid to related parties and the loans granted to related parties.

The borrowings of Chuangxin Jianye as at 31 December 2013, 2014 and 2015 is set out as follows:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current			
Bank borrowings (a)	570,000	790,000	730,000
Current			
Related parties borrowings (b)	–	1,511,800	–
Current portion of long-term bank borrowings (a)	30,000	80,000	110,000
	30,000	1,591,800	110,000
Total borrowings	600,000	2,381,800	840,000

Notes:

- (a) As at 31 December 2015, bank borrowings amounting to RMB510,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB 1,087,884,000.

As at 31 December 2015, bank borrowings amounting to RMB330,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB 429,061,000 and guaranteed by BCL.

As at 31 December 2014, bank borrowings amounting to RMB570,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB1,657,193,000.

As at 31 December 2014, bank borrowings amounting to RMB300,000,000 were secured by the land use rights of investment properties with carrying amount of RMB429,061,000.

As at 31 December 2013, bank borrowings amounting to RMB600,000,000 were secured by the land use rights and the buildings of investment property with carrying amount of RMB1,381,345,000.

- (b) As at 31 December 2014, related parties borrowings were unsecured, repayable on demand and bore an interest rate of 6%.

- (c) The maturities of Chuangxin Jianye's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Total borrowings			
– Within 1 year	30,000	1,591,800	110,000
– Between 1 and 2 years	60,000	110,000	155,000
– Between 2 and 5 years	260,000	535,000	575,000
– Over 5 years	250,000	145,000	–
	<u>600,000</u>	<u>2,381,800</u>	<u>840,000</u>

- (d) All Chuangxin Jianye's borrowings are denominated in RMB.

- (e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Bank borrowings	7.05%	6.55%	6.55%
Related parties borrowings	–	6.00%	–

- (f) The exposure of Chuangxin Jianye's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Within 6 months	–	1,541,800	50,000
Between 6 and 12 months	30,000	50,000	60,000
Between 1 and 5 years	320,000	645,000	730,000
Over 5 years	250,000	145,000	–
	<u>600,000</u>	<u>2,381,800</u>	<u>840,000</u>

- (g) The carrying amounts of borrowings approximate their respective fair values as at 31 December 2013, 2014 and 2015, as the borrowings bore floating interest rates, the impact of discounting is not significant. The fair values are based on cash flows discounted using market rate for the year ended 31 December 2013, 2014 and 2015.

For details of the borrowings of Chuangxin Jianye as at 31 December 2013, 2014 and 2015, please refer to the note 13 of the Accountants' Report of the Target Companies as set out in Appendix II – Part 1 to this circular.

The total equity of Chuangxin Jianye as at 31 December 2013, 2014 and 2015 was approximately RMB241.7 million, RMB339.6 million and RMB688.7 million, respectively.

Gearing ratio

The net gearing ratio of Chuangxin Jianye as at 31 December 2013, 2014 and 2015 was approximately 122.0%, 557.0% and 101.0%, respectively. The net gearing ratio is net debt (total interest-bearing bank borrowings and related parties borrowings less cash) divided by total equity.

Capital Commitments

Chuangxin Jianye had the following capital commitments as at 31 December 2013, 2014 and 2015:

	As at 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Contracted but not provided for			
– Investment properties	200,820	28,351	113,550
Authorised but not contracted for			
– Property, plant and equipment	165	–	125
– Investment properties	334,348	223,676	366,514
	<u>535,333</u>	<u>252,027</u>	<u>480,189</u>

Contingent liabilities

Save as disclosed above, Chuangxin Jianye did not have any other contingent liabilities as at 31 December 2013, 2014 and 2015.

Financial risk management

For the years ended 31 December 2013, 2014 and 2015, Chuangxin Jianye was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by Chuangxin Jianye, please refer to note 4.1 of the Accountants' Report of the Target Companies as set out in Appendix II – Part 1 to this circular.

As the operations of Chuangxin Jianye were principally based in PRC for the years ended 31 December 2013, 2014 and 2015, the principal assets and liabilities of Chuangxin Jianye were denominated in Renminbi and therefore Chuangxin Jianye considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

Material acquisitions and disposals

In December 2012, Chuangxin Jianye entered into an irrevocable equity transfer contract to dispose its 50% equity interests in Outlets Guangdong Co., Ltd., which was completed in April 2013.

In addition, Xinyuan Huafu Investment Co., Ltd. ("Xinyuan Huafu", a wholly owned subsidiary of BCL) and Chuangxin Jianye signed an equity transfer agreement on 22 December 2015. Pursuant to the agreement, Chuangxin Jianye agreed to transfer its equity interests in subsidiaries engaged in real estate development business, namely, 100% equity interests in Capital Dongxing (Kunshan) Real Estate Development Co., Ltd., Capital Xinkai (Kunshan) Real Estate Development Co., Ltd., Capital Outlets (Kunshan) Real Estate Development Co., Ltd., Hainan Capital Outlets Real Estate Co., Ltd. and Shanghai Songchuang Real Estate Co., Ltd., and 55% equity interests in Huzhou Capital Rongcheng Real Estate Co., Ltd. to Xinyuan Huafu with no consideration.

Save as disclosed above, there was no material acquisitions and disposals by Chuangxin Jianye during the years ended 31 December 2013, 2014 and 2015.

Significant investments

The details of Chuangxin Jianye's joint venture investments as at 31 December 2013, 2014 and 2015 are set out in note 22 of the Accountants' Report of the Target Companies in Appendix II – Part 1 to this circular.

Employee and remuneration policies

As at 31 December 2013, 2014 and 2015, Chuangxin Jianye had 169, 188 and 241 employees, respectively.

Chuangxin Jianye adopts a remuneration policy based on the market-competitiveness of the remuneration, the work performance of the employees, the qualifications and work experience of the employees and the applicable laws and regulations. For the years ended 31 December 2013, 2014 and 2015, Chuangxin Jianye provided welfare benefits to its employees, including retirement benefit plans, medical benefits, housing allowances and statutory contributions, in accordance with applicable local regulations.

II. Huzhou Outlets

A. Business review

For the years ended 31 December 2013, 2014 and 2015, Huzhou Outlets held an outlets-backed commercial integrated project in the Taihu Lake tourist district in Huzhou, Zhejiang Province, the PRC, a national “AAA” tourist attraction which comprises over 300 street-level outlet shops, a budget hotel and supporting facilities. As at 31 December 2015, it has attracted over 820 thousand tourists since its opening in December 2013. The revenue mainly arises from rental income, which is derived from contracts based on fixed rent and contracts based on a percentage of the sales revenue of the relevant tenants. The outlets-backed commercial integrated project held by Huzhou Outlets was in its start-up stage in late 2013 and 2014, and in its early operations stage in 2015.

Subsequent to completion of the Huzhou Acquisition Agreement, Huzhou Outlets will continue to focus on its existing businesses.

B. Financial review

Financial performance

Segment information

For the years ended 31 December 2013, 2014 and 2015, Huzhou Outlets had only one reportable segment, which is the development and operation of the outlets-backed commercial integrated project in the Taihu Lake tourist district in Huzhou, Zhejiang Province, the PRC.

Revenue

The revenue of Huzhou Outlets increased from approximately RMB93,000 in 2013 to approximately RMB1.3 million in 2014 mainly due to the outlets-backed commercial integrated project of Huzhou Outlets opened in December 2013 and the relevant revenue for only one month was recorded for 2013, while the relevant revenue for the full year was recorded for 2014. The revenue further increased to approximately RMB2.8 million in 2015 mainly due to the increase in rental income contributed by the stronger sales performance in 2015 of the tenants of Huzhou Outlets with the gradual increase of customers to its outlets-backed commercial integrate project.

Cost of sales

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Property management fee	1,150	7,548	5,592
Business taxes and other levies	1	657	3,833
Total	<u>1,151</u>	<u>8,205</u>	<u>9,425</u>

The cost of sales of Huzhou Outlets increased from approximately RMB1.2 million in 2013 to approximately RMB8.2 million in 2014, and further increased to approximately RMB9.4 million in 2015 which was consistent with the sales and revenue trend for the relevant years and due to the gradual implementation of the scope of operations for the outlets-backed commercial integrated project of Huzhou Outlets since its opening in December 2013.

Selling and marketing expenses

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Depreciation and amortization	149	5,349	8,354
Advertising and marketing	3,286	8,362	13,895
Others	1,864	4,137	2,611
Total	<u>5,299</u>	<u>17,848</u>	<u>24,860</u>

The selling and marketing expenses of Huzhou Outlets increased from approximately RMB5.3 million in 2013 to approximately RMB17.8 million in 2014, and further increased to approximately RMB24.9 million in 2015 mainly due to the depreciation and amortization increased in 2014 and 2015 as a result of large scale leasehold improvements in the outlets-backed commercial integrated project of Huzhou Outlets in 2013, which corresponding depreciation costs was recorded in subsequent years, together with the increase in advertising and marketing expenses for promoting the outlets-backed commercial integrated project of Huzhou Outlets in line with the gradual implementation of its scope of operations since its opening in May 2013.

Administrative expenses

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Employee benefit expense	6,456	8,428	6,597
Office and traveling expenses	3,814	4,443	3,171
Consultancy fee	3,091	152	130
Business taxes and other levies	1	1,726	2,544
Other	1,715	826	2,406
	<u>15,077</u>	<u>15,575</u>	<u>14,848</u>
Total	<u>15,077</u>	<u>15,575</u>	<u>14,848</u>

The administrative expenses of Huzhou Outlets increased from approximately RMB15.1 million in 2013 to approximately RMB15.6 million in 2014 mainly due to the increase in employees in 2014 resulting in higher employee benefit expense and office and travelling expenses in 2014. The administrative expenses of Huzhou Outlets decreased from approximately RMB15.6 million in 2014 to approximately RMB14.8 million in 2015 mainly due to the reduction of staff bonus and stricter cost control measures in 2015, resulting in the decrease in employee benefit expense and office and travelling expenses in 2015.

Gross loss margin

The gross loss margin of Huzhou Outlets decreased from approximately 1,137.6% in 2013 to approximately 530.7% in 2014, and further decreased to approximately 241.6% in 2015, mainly due to the operations of the outlets-backed commercial integrated project of Huzhou Outlets was in its start-up stage with a stable level of overhead costs whilst the relevant revenue had only started to grow.

Net other gains

The net other gains of Huzhou Outlets decreased from approximately RMB176.5 million in 2013 to approximately RMB104.9 million in 2014, then decreased to approximately RMB9.5 million in 2015, which was mainly due to the appreciation of investment property at fair value for the respective years led by the inflation effect on the land and construction costs and the income growth for investment properties.

Other income

The other income of Huzhou Outlets substantially decreased from approximately RMB207.2 million in 2013 to approximately RMB1.2 million in 2014, then increased to approximately RMB3.1 million in 2015 mainly due to the funds received from the government in 2013 and 2015 in relation to the business development subsidy and the tax related subsidy, respectively.

Finance expenses

The finance expenses mainly represented the interest expenses in relation to interest bearing bank borrowings and other borrowings of Huzhou Outlets, which was nil for the years ended 31 December 2013 and 2014, respectively, and then increased to approximately RMB39.5 million in 2015, mainly due to the capitalization of the interest to the development costs of the retail stores during their construction in 2013 and 2014, while the interest was fully expensed in 2015 following the completion of the retail stores.

Income tax

The income tax expense mainly represented the PRC enterprise income tax based on the assessable profits in the PRC of Huzhou Outlets. The income tax expense for the years ended 31 December 2013, 2014 and 2015 was approximately RMB91.7 million, RMB18.6 million and RMB(18.3) million, respectively. The effective income tax rates for 2013, 2014 and 2015 was approximately 25%, 28% and 25%, respectively, which was consistent with the enacted tax rate applicable to Huzhou Outlets. For more details, please refer to note 20 of the Accountants' Report of the Target Companies in Appendix II – Part 2 to this circular.

Profit/(loss) for the year

As a result of the discussions above, Huzhou Outlets recorded profits/(losses) for the years ended 31 December 2013, 2014 and 2015 of approximately RMB270.5 million, RMB47.2 million and RMB(54.9) million, respectively.

Financial position*As at 31 December 2013*

The non-current assets and current assets of Huzhou Outlets as at 31 December 2013 were approximately RMB763.3 million and RMB203.3 million, respectively. The non-current assets of Huzhou Outlets as at 31 December 2013 mainly comprised of investment properties and its current assets as at 31 December 2013 mainly comprised of trade and other receivables.

The non-current liabilities and current liabilities of Huzhou Outlets as at 31 December 2013 were approximately RMB206.1 million and RMB228.8 million, respectively. The non-current liabilities of Huzhou Outlets as at 31 December 2013 mainly comprised of borrowings and its current liabilities as at 31 December 2013 mainly comprised of trade and other payables.

As at 31 December 2014

The non-current assets and current assets of Huzhou Outlets as at 31 December 2014 were approximately RMB985.7 million and RMB164.9 million, respectively. The non-current assets of Huzhou Outlets as at 31 December 2014 mainly comprised of investment properties, which increased as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the increase in

investment properties as a result of the construction of investment properties and net gains from fair value adjustment led by the inflation on the land and construction costs and the income growth for investment properties for the relevant years. The current assets of Huzhou Outlets as at 31 December 2014 mainly comprised of trade and other receivables, which decreased as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the decrease in trade and other receivables mainly arising from the increase in amounts due from related parties in 2014.

The non-current liabilities and current liabilities of Huzhou Outlets as at 31 December 2014 were approximately RMB174.7 million and RMB397.0 million, respectively. The non-current liabilities of Huzhou Outlets as at 31 December 2014 mainly comprised of borrowings, which decreased as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the decrease in bank borrowings in 2014. The current liabilities of Huzhou Outlets as at 31 December 2014 mainly comprised of trade and other payables and borrowings, which increased as at 31 December 2014 when compared with that as at 31 December 2014 mainly due to the increase in amounts due to related parties in 2014.

As at 31 December 2015

The non-current assets and current assets of Huzhou Outlets as at 31 December 2015 were approximately RMB1,008.8 million and RMB86.5 million, respectively. The non-current assets of Huzhou Outlets as at 31 December 2015 mainly comprised of investment properties, which increased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the increase in investment properties as a result of the construction of investment properties and net gains from fair value adjustment led by the inflation on the land and construction costs and the income growth for investment properties for the relevant years. The current assets of Huzhou Outlets as at 31 December 2015 mainly comprised of trade and other receivables, which significantly decreased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the decrease in trade and other receivables mainly arising from the significant decrease in amounts due from related parties in 2015. The loans from related parties and the remaining amounts due from related parties are currently expected to be settled in full prior to or upon Completion.

The non-current liabilities and current liabilities of Huzhou Outlets as at 31 December 2015 were approximately RMB436.4 million and RMB197.7 million, respectively. The non-current liabilities of Huzhou Outlets as at 31 December 2015 mainly comprised of borrowings, which increased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the significant increase in bank borrowings in 2015. The current liabilities of Huzhou Outlets as at 31 December 2015 mainly comprised of trade and other payables, which significantly decreased as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to the decrease in trade and other receivables mainly arising from the significant decrease in amounts due to related parties in 2015. The loans to related parties and the remaining amounts due to related parties are currently expected to be settled in full prior to or upon Completion.

Liquidity and financial resources

As at 31 December 2013, 2014 and 2015, Huzhou Outlets had net current liabilities of approximately RMB25.5 million, RMB232.1 million and RMB111.2 million, respectively. The increase in net current liabilities primarily reflected the decrease in trade and other receivables and cash.

Huzhou Outlets recorded a net cash outflow of approximately RMB112.6 million for the year ended 31 December 2013, contributed by amounts paid to related parties and repayment of loans from related parties, which effect was reduced by the amounts received from related parties and proceeds from borrowings from bank. For the year ended 31 December 2014, Huzhou Outlets recorded a net cash outflow of approximately RMB357,000, contributed by cash outflows from operating activities, purchases of investment properties, amounts paid to related parties and repayments of borrowings from bank, which effect was reduced by the amounts received from related parties. For the year ended 31 December 2015, Huzhou Outlets recorded a net cash outflow of approximately RMB1.2 million, contributed by amounts paid to related parties, which effect was reduced by the amounts received from related parties and proceeds from borrowings from bank.

The borrowings of Huzhou Outlets as at 31 December 2013, 2014 and 2015 is set out as follows:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current			
Bank borrowings (a)	160,000	110,000	390,000
Current			
Current portion of long-term bank borrowings (a)	40,000	50,000	50,000
Total borrowings	200,000	160,000	440,000

Notes:

- (a) As at 31 December 2015, bank borrowings amounting to RMB330,000,000 were secured by the land use rights of investment property; and bank borrowings amounting to RMB110,000,000 were secured by the land use rights and properties of investment property and guaranteed by Huzhou Outlets.

As at 31 December 2014, bank borrowings amounting to RMB160,000,000 were secured by the land use rights and properties of investment property and guaranteed by Huzhou Outlets.

As at 31 December 2013, bank borrowings amounting to RMB200,000,000 were secured by the land use rights and properties of investment property and guaranteed by Huzhou Outlets.

- (b) The maturities of Huzhou Outlets' total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Total borrowings			
– Within 1 year	40,000	50,000	50,000
– Between 1 and 2 years	50,000	50,000	390,000
– Between 2 and 5 years	110,000	60,000	–
	<u>200,000</u>	<u>160,000</u>	<u>440,000</u>

- (c) All Huzhou Outlets' borrowings are denominated in RMB.

- (d) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Bank borrowings	7.36%	7.36%	9.07%

- (e) The exposure of Huzhou Outlets' borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 6 months	20,000	25,000	25,000
Between 6 and 12 months	20,000	25,000	25,000
Between 1 and 5 years	160,000	110,000	390,000
	<u>200,000</u>	<u>160,000</u>	<u>440,000</u>

- (f) The carrying amounts of borrowings approximate their respective fair values as at 31 December 2013, 2014 and 2015, as the impact of discounting is not significant. The fair values are based on cash flows discounted using market rate for the years ended 31 December 2013, 2014 and 2015.

For details of the borrowings of Huzhou Outlets as at 31 December 2013, 2014 and 2015, please refer to the note 12 of the Accountants' Report of the Target Companies as set out in Appendix II – Part 2 to this circular.

The total equity of Huzhou Outlets as at 31 December 2013, 2014 and 2015 was approximately RMB531.7 million, RMB578.9 million and RMB461.2 million, respectively.

Gearing ratio

The net gearing ratio of Huzhou Outlets as at 31 December 2013, 2014 and 2015 was approximately 35.0%, 25.0% and 92.0%, respectively. The net gearing ratio is net debt (total interest-bearing bank borrowings and related parties borrowings less cash) divided by total equity.

Capital Commitments

Huzhou Outlets had the following capital commitments as at 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for			
– Investment properties	108,872	68,879	1,775
Authorised but not contracted for			
– Investment properties	525,153	489,394	22,638
	<u>634,025</u>	<u>558,273</u>	<u>24,413</u>

Contingent liabilities

Save as disclosed above, Huzhou Outlets did not have any other contingent liabilities as at 31 December 2013, 2014 and 2015.

Financial risk management

For the years ended 31 December 2013, 2014 and 2015, Huzhou Outlets was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by Huzhou Outlets, please refer to note 4.1 of the Accountants' Report of the Target Companies as set out in Appendix II – Part 2 to this circular.

As the operations of Huzhou Outlets were principally based in PRC for the years ended 31 December 2013, 2014 and 2015, the principal assets and liabilities of Huzhou Outlets were denominated in Renminbi and therefore Huzhou Outlets considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

Material acquisitions and disposals

There was no material acquisitions and disposals by Huzhou Outlets during the years ended 31 December 2013, 2014 and 2015.

Significant investments

Huzhou Outlets did not have any material equity investments as at 31 December 2013, 2014 and 2015.

Employee and remuneration policies

As at 31 December 2013, 2014 and 2015, Huzhou Outlets had 71, 70 and 59 employees, respectively.

Huzhou Outlets adopts a remuneration policy based on the market-competitiveness of the remuneration, the work performance of the employees, the qualifications and work experience of the employees and the applicable laws and regulations. For the years ended 31 December 2013, 2014 and 2015, Huzhou Outlets provided welfare benefits to its employees, including retirement benefit plans, medical benefits, housing allowances and statutory contributions, in accordance with applicable local regulations.

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 Cushman & Wakefield limited, an independent property valuer, in connection with its opinion of the value of the property interests of the Target Companies in the PRC as at 31 March 2016.



16th Floor
Jardine House
1 Connaught Place, Central
Hong Kong

30 June 2016

The Directors
Beijing Capital Juda Limited
Suites 2906-08, AIA Central
1 Connaught Road,
Central, Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the properties owned by certain companies (the “Target Companies”) which Beijing Capital Juda Limited (the “Company”) or its subsidiaries (collectively the “Group”) plan to acquire in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 31 March 2016 (the “Valuation Date”).

Basis of Valuation

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 Assumptions

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 published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as a typical 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 valuation of the properties, we have relied on the information and advice given by the Company or the Company's legal adviser, Jingtian & Gongcheng Attorneys At Law (北京市競天公誠律師事務所), regarding the titles to the properties and the interests of the Target Companies in the properties in the PRC.

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 Company are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor 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 any onerous nature which could affect their values.

Method of Valuation

As at the Valuation Date, the properties in Group I are completed properties in the PRC and the relevant title certificates including Completion and Acceptance Certificate for Construction Works, Building Ownership Certificates or such equivalent certificates or permits have been obtained.

The property in Group II is property under development in the PRC. Permits for Commencement of Construction Works or such equivalent permits for any portions of such property have been obtained, but Completion and Acceptance Certificate for Construction Works, Building Ownership Certificates or such equivalent certificates or permits have not been obtained yet.

The properties in Group III comprise properties held for future development in the PRC. Permits for Commencement of Construction Works or such equivalent permits have not been obtained but Certificates for the Use of State-owned Land or Grant Contracts of Land Use Rights or such equivalent certificates or contracts have been obtained as at the Valuation Date.

In valuing the properties in Group I, which are completed properties held by the Target Companies for investment in the PRC, we have used the Investment Method on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary potential of each of the properties or by reference to comparable market transactions. Transactions involving large scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as most properties generate rental income from letting arrangements and such rental comparables are more readily available, we consider the Investment Method, which is also commonly used in valuing properties for investment purpose, to be the best method to value these properties.

In respect of the property in Group II, which is property held by the Target Companies under development in the PRC, we have valued it on the basis that the property will be developed and completed in accordance with the latest development scheme of the Target Companies provided to us (if any). We have assumed that all consents, approvals and licences from the relevant government authorities for the development scheme have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have mainly adopted the Direct Comparison Method and the Investment Method to assess the development value as if completed for various components of the property and have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development. The “development value as if completed” represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the Valuation Date. As the property is intended to be leased and rental comparables are available, the Investment Method is used in the valuation of the development value as if completed in this property group.

In valuing the properties in Group III, which are properties held by the Target Companies for future development in the PRC, we have mainly used the Direct Comparison Method assuming sale of each of these properties in its existing state by making reference to comparable land sales transactions as available in the relevant market. This method is the most appropriate method for valuing land properties.

Property Nos. 1 and 2 in Group I, Property No. 4 in Group II and Property No. 5 in Group III are subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to these properties on market value basis. For the Group’s management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of each of these properties on the said hypothetical basis has been separately stated in the notes of the respective valuation certificate.

Source of Information

We have been provided by the Company with extracts of documents in relation to the titles to the properties in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company or the Company's legal adviser, Jingtian & Gongcheng Attorneys At Law (北京市競天公誠律師事務所), regarding the title to the properties and the interests of the Target Companies in the properties in the PRC.

In respect of all properties, we have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of units, particulars of occupancy, rental incomes and revenue, development schemes, development time schedules, construction costs, site and floor areas, interest attributable to the Target Companies and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. Moreover, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company or the Company's legal adviser, Jingtian & Gongcheng Attorneys At Law (北京市競天公誠律師事務所), regarding the interests of the Target Companies in the properties in the PRC.

Site Inspection

We inspected the exterior and, wherever possible, the interior of the properties in between February and March 2016. However, we have not carried out any investigations on site 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 costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi (“RMB”), the official currency of the PRC.

We enclose herewith a summary of valuations and valuation certificates for your attention.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Senior Director, Valuation & Advisory Services

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 28 years’ experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2016 (RMB)	Interest attributable to the Target Companies (%)	Market value in existing state attributable to the Target Companies as at 31 March 2016 (RMB)
Group I – Completed properties held by the Target Companies for investment in the PRC			
1. Beijing Capital Outlets, Phase I, Fangshan District, Beijing, the PRC (中華人民共和國北京房山區 北京奧特萊斯一期)	No commercial value (See Note 1)	100	No commercial value (See Note 1)
2. Kunshan Capital Outlets, Phase I, east of Dongcheng Avenue, north of Kunjia Road, Economic and Development District, Kunshan, Jiangsu Province, the PRC (中華人民共和國江蘇省昆山 開開區東城大道東側、 昆嘉路北側 昆山奧特萊斯一期)	No commercial value (See Note 2)	100	No commercial value (See Note 2)
3. Huzhou Capital Outlets, No. 518 Binhu Avenue West, Huzhou, Zhejiang Province, the PRC (中華人民共和國浙江省湖州 濱湖大道西段518號 湖州奧特萊斯)	937,000,000	100	937,000,000
Sub-total:			937,000,000

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2016 (RMB)	Interest attributable to the Target Companies (%)	Market value in existing state attributable to the Target Companies as at 31 March 2016 (RMB)
Group II – Property held by the Target Companies under development in the PRC			
4. The development site to be known as Kunshan Capital Outlets, Phase II, east of Dongcheng Avenue, south of Jingwang Road, Economic and Development District, Kunshan, Jiangsu Province, the PRC (中華人民共和國江蘇省昆山開發區東城大道東側、景王路南側 昆山奧特萊斯二期在建項目)	No commercial value (See Note 3)	100	No commercial value (See Note 3)
Sub-total:			No commercial value
Group III – Properties held by the Target Companies for future development in the PRC			
5. The development site for the proposed development to be known as Beijing Capital Outlets, Phase II, Fangshan District, Beijing, the PRC (中華人民共和國北京房山區北京奧特萊斯二期待建項目)	No commercial value (See Note 4)	100	No commercial value (See Note 4)
6. The development site for the proposed development to be known as Zhejiang Huzhou Taihu Project, south of Meidong Pian Binhu Avenue, Huzhou, Zhejiang Province, the PRC (中華人民共和國浙江省湖州梅東片濱湖大道南側 浙江湖州太湖項目待建項目)	64,000,000	100	64,000,000
Sub-total:			64,000,000
Total:			1,001,000,000

Notes:

- (1) According to its Grant Contract of Land Use Rights and supplementary agreement, Property No. 1 in Group I is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB1,601,000,000 (100% interest attributable to the Target Companies: RMB1,601,000,000).

- (2) According to its Certificate for the Use of State-owned Land and Building Ownership Certificates, Property No. 2 in Group I is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB590,000,000 (100% interest attributable to the Target Companies: RMB590,000,000).

- (3) According to its Certificate for the Use of State-owned Land, Property No. 4 in Group II is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB214,000,000 (100% interest attributable to the Target Companies: RMB214,000,000).

- (4) According to its Grant Contract of Land Use Rights and supplementary agreement, Property No. 5 in Group III is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB322,000,000 (100% interest attributable to the Target Companies: RMB322,000,000).

As described in Notes 1 to 4 above, for the Group's management reference, we have separately assessed the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market values of such properties on the said hypothetical basis in their respective existing state as at 31 March 2016 are set out below:

Property	Market value in existing state as at 31 March 2016 assuming sale of the property without sale and transfer restrictions and other encumbrances (RMB)	Interest attributable to the Target Companies (%)	Market value in existing state attributable to the Target Companies as at 31 March 2016 assuming sale of the property without sale and transfer restrictions and other encumbrances (RMB)
1. Beijing Capital Outlets, Phase I, Fangshan District, Beijing, the PRC (中華人民共和國北京房山區 北京奧特萊斯一期)	RMB1,601,000,000 (See hypothetical basis as per Note 1 above)	100	RMB1,601,000,000 (See hypothetical basis as per Note 1 above)
2. Kunshan Capital Outlets, Phase I, east of Dongcheng Avenue, north of Kunjia Road, Economic and Development District, Kunshan, Jiangsu Province, the PRC (中華人民共和國江蘇省昆山 開發區東城大道東側、 昆嘉路北側 昆山奧特萊斯一期)	RMB590,000,000 (See hypothetical basis as per Note 2 above)	100	RMB590,000,000 (See hypothetical basis as per Note 2 above)

Property	Market value in existing state as at 31 March 2016 assuming sale of the property without sale and transfer restrictions and other encumbrances (RMB)	Interest attributable to the Target Companies (%)	Market value in existing state attributable to the Target Companies as at 31 March 2016 assuming sale of the property without sale and transfer restrictions and other encumbrances (RMB)
4. The development site to be known as Kunshan Capital Outlets, Phase II, east of Dongcheng Avenue, south of Jingwang Road, Economic and Development District, Kunshan, Jiangsu Province, the PRC	RMB214,000,000 (See hypothetical basis as per Note 3 above)	100	RMB214,000,000 (See hypothetical basis as per Note 3 above)
(中華人民共和國江蘇省昆山 開發區東城大道東側、景王路南側 昆山奧特萊斯二期在建項目)			
5. The development site for the proposed development to be known as Beijing Capital Outlets, Phase II, Fangshan District, Beijing, the PRC	RMB322,000,000 (See hypothetical basis as per Note 4 above)	100	RMB322,000,000 (See hypothetical basis as per Note 4 above)
(中華人民共和國北京房山區 北京奧特萊斯二期待建項目)			

VALUATION CERTIFICATE

Group I – Completed properties held by the Target Companies for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
1. Beijing Capital Outlets, Phase I, Fangshan District, Beijing, the PRC (中華人民共和國北京房山區北京奧特萊斯一期)	The property comprises a 3-storey (including 1 level basement) commercial building completed in 2013. Beijing Capital Outlets is situated in Fangshan District. It is located to the west of East Ring Road and to the north of Ballet Town. Developments in the vicinity comprise mainly residential buildings such as Jiazhou Shuijun, Bigui Yuan, etc. The property is served by public bus routes and subway. The property has a total gross floor area of 108,415.97 sq m. The land use rights of the property have been granted for a term due to expire on 5 April 2050 for commercial use.	As at the Valuation Date, portions of the property with a total gross floor area of 99,192.38 sq m are subject to various tenancies with the latest expiry in June 2023 at a total monthly rent of approximately RMB9,350,000 (exclusive of management fee). The remaining portions were vacant.	No commercial value (100% interest attributable to the Target Companies: No commercial value) (See Note 1)

Notes:

- (1) According to its Grant Contract of Land Use Rights and supplementary agreement, the property is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB1,601,000,000 (100% interest attributable to the Target Companies: RMB1,601,000,000).

- (2) The constituent gross floor areas are summarised as follows:

Portion	Gross Floor Area (sq m)
Retail	104,921.96
Car park	387.50
Others	3,106.51
Total	108,415.97

- (3) According to the Building Ownership Certificates, the building ownership of the property is vested in Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) with key details as follows:

Certificate No.	Issue Date	Use	Gross Floor Area (sq m)
081385	20 February 2013	Retail	40,405.10
082276	7 March 2013	Retail	54,781.32
082277	7 March 2013	Retail	13,229.55
Total			108,415.97

- (4) According to Certificate for the Use of State-owned Land No. 2010-00099 dated 20 October 2010, the land use rights of the property comprising a total site area of 90,765.58 sq m, are vested in Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司), in which the Target Companies have 100% attributable interest, for a term due to expire on 5 April 2050 for commercial use.

As advised by the Group, the property comprises a portion of the site as stated in the Certificate for the Use of State-owned Land mentioned above.

- (5) According to Grant Contract of State-owned Land Use Rights No. (2010) 0082 dated 6 April 2010 and its Supplementary Agreement, the land use rights of the overall outlet project comprising a total site area of 181,824.66 sq m have been contracted to be granted to Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司), in which the Target Companies have 100% attributable interest, for terms due to expire on 5 April 2050 for commercial use and due to expire on 5 April 2080 for residential use. The salient conditions are set out as follows:

Location	: Changyang Town in Fangshan District
Land Use	: Residential/Commercial
Site Area	: 181,824.66 sq m
Land Use Term	: 40 years for commercial use and 70 years for residential use
Plot Ratio	: Not more than 2
Permissible Gross Floor Area	: 288,594.0007 sq m
Land Premium	: RMB925,780,000

Upon completion of the construction of the property, no less than 100,000 sq m of the shopping mall should be held by Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) and are subject to restrictions on transfer and sales.

As advised by the Group, the property comprises a portion of the site as stated in the Grant Contract of State-owned Land Use Rights mentioned above.

- (6) According to Business Licence No. 110000450137361 dated 21 May 2010, Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) was established as a limited liability company with a registered capital of USD127,000,000 for a valid operation period from 21 May 2010 until 20 May 2050.
- (7) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificate for the Use of State-owned Land and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
 - (ii) Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) is the legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
 - (iii) The property is subject to the restrictions set out in the supplementary agreement of the Grant Contract of Land Use Rights;
 - (iv) The sale and transfer restrictions are intended to require the project company to operate the project by itself and only restrict the sale of the property. Such restrictions will not be violated for transferring the share of the project company's shareholder on the basis which the operation of the project will not be adversely affected; and
 - (v) All land premium stated in the Grant Contract of State-owned Land Use Rights has been paid and settled.
- (8) In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Building Ownership Certificate | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| Business Licence | Yes |
- (9) Li Boshan, Manager of DTZ Beijing Office, inspected the property on 31 March 2016.
- (10) As advised by the Company, Beijing Capital Land Co., Ltd. (首創置業股份有限公司) has 100% interest attributable in Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司).

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
2. Kunshan Capital Outlets, Phase 1, east of Dongcheng Avenue, north of Kunjia Road, Economic and Development District, Kunshan, Jiangsu province, the PRC (中華人民共和國江蘇省昆山開發區東城大道東側、昆嘉路北側昆山奧特萊斯一期)	The property comprises four 3-storey commercial buildings completed in 2015 and erected on a parcel of land with a total site area of 46,235.40 sq m. Kunshan Capital Outlets is situated in Economic and Development District. It is located to the east of Dongcheng Avenue, north of Kunjia Road and surrounded by Jialingjiang Road. Developments in the vicinity comprise mainly residential and retail buildings such as Shimao Dongwaitan, Shimao Plaza, etc. The property is served by public bus routes. The property has a total gross floor area of 49,361.86 sq m. The land use rights of the property have been granted for a term of 40 years due to expire on 26 January 2053 for commercial use.	As the Valuation Date, portions of the property with a leasable area of 18,739.66 sq m were leased on fixed rent and turnover rent bases at a total monthly rent of approximately RMB420,000 (exclusive of management fee). The remaining portions were vacant.	No commercial value (100% interest attributable to the Target Companies: No commercial value) (See Note 1)

Notes:

- (1) According to its Certificate for the Use of State-owned Land and Building Ownership Certificates, the property is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB590,000,000 (100% interest attributable to the Target Companies: RMB590,000,000).

- (2) According to the Building Ownership Certificates, the building ownership of the property is vested in Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司), in which the Target Companies have 100% attributable interest, with key details as follows:

Certificate No.	Issue Date	Use	Gross Floor Area (sq m)
301229147	15 July 2015	Commercial	15,468.05
301229151	15 July 2015	Commercial	11,543.43
301229149	15 July 2015	Commercial	11,254.80
301229148	15 July 2015	Commercial	11,095.58
Total			49,361.86

According to the aforesaid Building Ownership Certificates, the property cannot be sold.

- (3) According to Certificate for the Use of State-owned Land No. (2014) DWB296 dated 24 October 2014, the land use rights of the property comprising a total site area of 46,235.40 sq m are vested in Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司), in which the Target Companies have 100% attributable interest, for a term due to expire on 26 January 2053 for commercial use.

Upon completion of the construction of the property, no less than 50,000 sq m of the shopping mall should be held by Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司) and are subject to restrictions on transfer and sales.

- (4) According to Business Licence No. 320583000582478 dated 24 December 2012, Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 26 February 2013 to 25 February 2053.

- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Certificate for the Use of State-owned Land and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司) is the legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
- (iii) The property is subject to the restrictions set out in the Certificate for the Use of State-owned Land and Building Ownership Certificates;
- (iv) The sale and transfer restrictions are intended to require the project company to operate the project by itself and only restrict the sale of the property. Such restrictions will not be violated for transferring the share of the project company's shareholder on the basis which the operation of the project will not be adversely affected; and
- (v) All land premium stated in the Grant Contract of State-owned Land Use Rights has been paid and settled.

- (6) In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

- (7) Deng Yu, Manager of DTZ Shanghai Office, inspected the property on 15 February 2016.

- (8) As advised by the Company, Beijing Capital Land Co., Ltd. (首創置業股份有限公司) has 100% interest attributable in Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司).

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
3.	Huzhou Capital Outlets, No. 518 Binhu Avenue West, Huzhou, Zhejiang Province, the PRC (中華人民共和國浙江省湖州 濱湖大道西段518號 湖州奧特萊斯)	The property comprises 8 units on Levels 1, 2 and 3 of 3-storey commercial buildings completed in 2015. The property is situated in Huzhou. It is located to the south of Taihu Road. Developments in the vicinity comprise mainly commercial and residential buildings such as Sheraton Huzhou Hot Spring Resort, Landison Resort Huzhou, Taihu Sunny Holiday, etc. The property is served by public bus routes. The property has a total gross floor area of 95,330.84 sq m. The land use rights of the property have been granted for terms due to expire on 10 February 2050 for commercial use.	As at the Valuation Date, the property was fully let and subject to various tenancies with the latest expiry in December 2023 at a total monthly rent of approximately RMB660,000 (exclusive of management fee).	RMB937,000,000 (100% interest attributable to the Target Companies: RMB937,000,000)

Notes:

- (1) The constituent gross floor areas are summarised as follows:

Portion	Gross Floor Area (sq m)
Retail Phase I	52,534.49
Retail Phase II	42,796.35
Total	95,330.84

- (2) According to 170 Building Ownership Certificates dated 14 April 2014, the building ownership of portions of the property comprising a total gross floor area of 52,534.49 sq m is vested in Zhejiang Outlets Property Real Estate Co., Ltd. (浙江奧特萊斯置業有限公司), in which the Target Companies have 100% attributable interest.

As advised by the Company, only portions of the property have been granted the Building Ownership Certificates mentioned above.

- (3) According to the Certificates for the Use of State-owned Land, the land use rights of the property are vested in Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奥特莱斯置业有限公司), in which the Target Companies have 100% attributable interest, with key details as follows:

Certificate No.	Land Plot No.	Issue Date	Land Use	Land Use Term Expiry Date	Site Area (sq m)
(2013) 013188	2-13-28-2-1	27 November 2013	Commercial	10 February 2050	109,937
(2013) 013190	2-13-28-2-2	27 November 2013	Commercial	10 February 2050	104,380
Total					214,317

- (4) According to the Survey Report dated 8 October 2014, the total gross floor area of the retail portion of Phase II of the property is 42,796.35 sq m.
- (5) According to Business Licence No. 330500400013041 dated 4 September 2013, Zhejiang Outlets Property Real Estate Co., Ltd. (浙江奥特莱斯置业有限公司) was established as a limited liability company with a registered capital of USD40,000,000 for a valid operation period from 6 May 2010 until 5 May 2050.
- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificates for the Use of State-owned Land and the Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;
 - (ii) Zhejiang Outlets Property Real Estate Co., Ltd. (浙江奥特莱斯置业有限公司) is the legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
 - (iii) Zhejiang Outlets Property Real Estate Co., Ltd. (浙江奥特莱斯置业有限公司) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, the company has to discharge the mortgage or obtain the mortgagee's consent in advance; and
 - (iv) All land premium stated in the Grant Contract of State-owned Land Use Rights has been paid and settled.
- (7) In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:
- | | |
|---|----------------|
| Certificate for the Use of State-owned Land | Yes |
| Building Ownership Certificate | Yes (portions) |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Survey Report | Yes (portions) |
| Business Licence | Yes |
- (8) Tseching, Manager of DTZ Hangzhou Office, inspected the property on 31 March 2016.
- (9) As advised by the Company, Beijing Capital Land Co., Ltd. (首創置業股份有限公司) has 100% interest attributable in Zhejiang Outlets Property Real Estate Co. Ltd. (浙江奥特莱斯置业有限公司).

VALUATION CERTIFICATE

Group II – Property held by the Target Companies under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
4. The development site to be known as Kunshan Capital Outlets, Phase II, east of Dongcheng Avenue, south of Jingwang Road, Economic and Development District, Kunshan, Jiangsu Province, the PRC (中華人民共和國江蘇省 昆山 開發區東城大道東側、景王路南側 昆山奧特萊斯二期在建項目)	The property comprises a commercial development to be erected on a parcel of land with a total site area of 46,790.10 sq m. The property is situated in Economic and Development District. It is located to the east of Dongcheng Avenue, the south Jingwang Road and surrounded by Jialingjiang Road. Developments in the vicinity comprise mainly residential and retail buildings such as Shimao Dongwaitan, Shimao Plaza, etc. The property is served by public bus routes. According to the development scheme provided to us, the property has a total planned gross floor area of 50,411.54 sq m. The land use rights of the property have been granted for a term of 40 years due to expire on 26 January 2053 for commercial use.	The property is under construction and scheduled to be completed in October 2016.	No commercial value (100% interest attributable to the Target Companies: No commercial value) (See Note 1)

Notes:

- (1) According to its Certificate for the Use of State-owned Land, the property is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB214,000,000 (100% interest attributable to the Target Companies: RMB214,000,000).

- (2) The constituent gross floor areas are summarised as follows:

Portion	Gross Floor Area (sq m)
Retail	49,227.87
Others	1,183.67
Total	50,411.54

- (3) According to Certificate for the Use of State-owned Land No. (2015) DW140 dated 10 September 2015, the land use rights of the property comprising a total site area of 46,790.10 sq m are vested in Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司), in which the Target Companies have 100% attributable interest, for a term due to expire on 26 January 2053 for commercial use.

Upon completion of the construction of the property, no less than 50,000 sq m of the shopping mall should be held by Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司) and are subject to restrictions on transfer and sales.

- (4) According to Grant Contract of State-owned Land Use Rights No. 3205832012CR0141 dated 27 July 2012 and its Supplemental Agreement dated 12 November 2013, the land use rights of the property comprising a total site area of 46,790.10 sq m have been contracted to be granted to Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司), in which the Target Companies have 100% attributable interest, for a term of 40 years for commercial use. The salient conditions are set out as follows:

Location	: The north of Kunjia Road, Development Area, Kunshan
Land Use	: Commercial
Site Area	: 46,790.10 sq m
Land Use Term	: 40 years for commercial use
Plot Ratio	: Not less than 1.7, not more than 2.2
Land Premium	: RMB146,219,062
Building Covenant	: To commence construction before 27 July 2013 To complete construction before 27 January 2015 (can be delayed in one year)

- (5) According to Planning Permit for Construction Use of Land No. (2014) 0046 dated 5 June 2014, the construction site of the property with a total area of 46,790.10 sq m is in compliance with the urban planning requirements.

- (6) Details of the Planning Permits for Construction Works are as follows:

Permit No.	Issue Date	Gross Floor Area (sq m)
(2014) 0282	2 July 2014	7,924.47
(2014) 0283	2 July 2014	9,669.76
(2014) 0284	2 July 2014	13,592.45
(2014) 0285	2 July 2014	19,224.86
Total		50,411.54

- (7) According to Permit for Commencement of Construction Works No. 320583201510100401 dated 10 October 2015, the construction works of the property with a gross floor area of 50,411.54 sq m are in compliance with the requirements for works commencement and have been permitted.

- (8) The development value as if completed as at the Valuation Date was RMB545,000,000.

- (9) According to information provided by the Company, the construction cost incurred as at the Valuation Date was approximately RMB49,000,000. The estimated total construction cost was approximately RMB195,000,000. In the course of our valuation, we have taken into account such costs.

- (10) According to Business Licence No. 320583000587142 dated 5 February 2015, Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 18 March 2013 to 17 March 2053.
- (11) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificate for the Use of State-owned Land of the property is valid, legal and enforceable under the PRC laws;
 - (ii) Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司) is the legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
 - (iii) The property is subject to the restrictions set out in the Certificate for the Use of State-owned Land;
 - (iv) On the basis that the reason of pending construction process is due to the local government, the land of the property should not be imposed on land idle fee or be revoked the use rights of state-owned land from Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司) for the reason of late construction;
 - (v) The sale and transfer restrictions are intended to require the project company to operate the project by itself and only restrict the sale of the property. Such restrictions will not be violated for transferring the share of the project company's shareholder on the basis which the operation of the project will not be adversely affected; and
 - (vi) All land premium stated in the Grant Contract of State-owned Land Use Rights has been paid and settled.
- (12) In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Survey Report | No |
| Business Licence | Yes |
- (13) Deng Yu, Manager of DTZ Shanghai Office, inspected the property on 15 February 2016.
- (14) As advised by the Company, Beijing Capital Land Co., Ltd. (首創置業股份有限公司) has 100% interest attributable in Capital Dongxing (Kunshan) Commercial Development Co. Ltd. (首創東興(昆山)商業開發有限公司).

VALUATION CERTIFICATE

Group III – Properties held by the Target Companies for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
5. The development site for the proposed development to be known as Beijing Capital Outlets, Phase II, Fangshan District, Beijing, the PRC (中華人民共和國北京房山區北京奧特萊斯二期待建項目)	The property comprises a parcel of land with a total site area of 20,800 sq m. Beijing Capital Outlets is situated in Fangshan District. It is located to the west of East Ring Road and to the north of Ballet Town. Developments in the vicinity comprise mainly residential buildings such as Jiazhou Shuijun, Bigui Yuan, etc. The property is served by public bus routes and subway. The total permissible gross floor area of the property is 88,421 sq m. The land use rights of the property have been granted for a term due to expire on 5 April 2050 for commercial use.	The property is a vacant land pending development.	No commercial value (100% interest attributable to the Target Companies: No commercial value) (See Note 1)

Notes:

- (1) According to its Grant Contract of Land Use Rights and supplementary agreement, the property is subject to sale and transfer restrictions. Therefore, we have ascribed no commercial value to the property on market value basis.

For the Group's management reference, however, we are requested to separately assess the market value on the assumptions that proper and unfettered title documents had been obtained without encumbrances and all relevant land premium for obtaining the release of such sale and transfer restrictions had been fully settled. The market value of the property on the said hypothetical basis in its existing state as at 31 March 2016 was RMB322,000,000 (100% interest attributable to the Target Companies: RMB322,000,000).

- (2) According to Certificate for the Use of State-owned Land No. 2010-00099 dated 20 October 2010, the land use rights of an enlarged development, including the property, comprising a total site area of 90,765.58 sq m are vested in Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司), in which the Target Companies have 100% attributable interest, for a term due to expire on 5 April 2050 for commercial use.

As advised by the Group, the property comprises a portion of the site as stated in the Certificate for the Use of State-owned Land mentioned above.

- (3) According to Grant Contract of State-owned Land Use Rights No. (2010) 0082 dated 6 April 2010 and its Supplementary Agreement, the land use rights of the overall outlet project comprising a total site area of 181,824.66 sq m have been contracted to be granted to Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司), in which the Target Companies have 100% attributable interest, for terms due to expire on 5 April 2050 for commercial use and due to expire on 5 April 2080 for residential use. The salient conditions are set out as follows:

Location	: Changyang Town in Fangshan District
Land Use	: Residential/commercial/composite/underground car park/underground commercial
Site Area	: 181,824.66 sq m
Land Use Term	: 70 years for residential use; 40 years for commercial and underground commercial; 50 years for composite and underground car park
Plot Ratio	: Not more than 2
Permissible Gross Floor Area	: 288,594.0007 sq m
Land Premium	: RMB925,780,000
Building Covenant	: To commence construction before 30 September 2010 To complete construction before 30 April 2013 (can be delayed in one year)

Upon completion of the construction of the development, no less than 100,000 sq m of the shopping mall should be held by Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) and are subject to restrictions on transfer and sales.

As advised by the Group, the property comprises a portion of the site as stated in the Grant Contract of State-owned Land Use Rights mentioned above.

- (4) According to Planning Permit for Construction Use of Land No. 2010-0008 dated 11 August 2010, the construction site of the residential and commercial project (Land Lots Nos. 1 and 2 of Changyang West Station) with a total area of 181,824.66 sq m is in compliance with the urban planning requirements.
- (5) According to Planning Permit for Construction Works No. 110111201600020 dated 31 March 2016, the construction works with a total planned gross floor area of 88,421.00 sq m are in compliance with the urban planning requirements and have been approved.
- (6) According to Business Licence No. 110000450137361 dated 21 May 2010, Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) was established as a limited liability company with a registered capital of USD127,000,000 for a valid operation period from 21 May 2010 until 20 May 2050.
- (7) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificate for the Use of State-owned Land of the property is valid, legal and enforceable under the PRC laws;
 - (ii) Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司) is the legal land user of the property and the relevant certificates and approval from the government in respect of the construction of the property are in the process of application;
 - (iii) No circumstance is observed which will cause the land to be identified as idle land;
 - (iv) The property is subject to the restrictions set out in the supplementary agreement of the Grant Contract of Land Use Rights;
 - (v) The sale and transfer restrictions are intended to require the project company to operate the project by itself and only restrict the sale of the property. Such restrictions will not be violated for transferring the share of the project company's shareholder on the basis which the operation of the project will not be adversely affected; and
 - (vi) All land premium stated in the Grant Contract of State-owned Land Use Rights has been paid and settled.

- (8) In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business Licence	Yes

- (9) Li Boshan, Manager of DTZ Beijing Office, inspected the property on 31 March 2016.

- (10) As advised by the Company, Beijing Capital Land Co., Ltd. (首創置業股份有限公司) has 100% interest attributable in Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司).

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
6. The development site for the proposed development to be known as Zhejiang Huzhou Taihu Project, south of Meidong Pian Binhu Avenue, Huzhou, Zhejiang Province, the PRC (中華人民共和國浙江省湖州梅東片濱湖大道南側浙江湖州太湖項目待建項目)	The property comprises two parcels of land with a total site area of 88,376 sq m. The property is situated in Wuxing District. It is located to the south of Taihu Road. Developments in the vicinity comprise mainly commercial and residential buildings such as Sheraton Huzhou Hot Spring Resort, Landison Resort Huzhou, Taihu Sunny Holiday, etc. The property is served by public bus routes. The total permissible gross floor area of the property is 205,165.37 sq m. The land use rights of the property have been granted for terms of 40 years due to expire on 10 February 2050 for commercial use.	The property is a vacant land pending development.	RMB64,000,000 (100% interest attributable to the Target Companies: RMB64,000,000)

Notes:

- (1) According to the Certificates for the Use of State-owned Land, the land use rights of the property are vested in Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奧特萊斯置業有限公司), in which the Target Companies have 100% attributable interest, with key details as follows:

Certificate No.	Land Plot No.	Issue Date	Land Use	Land Use Term Expiry Date	Site Area (sq m)
(2010) 13-19692	01-13-28-0001	1 September 2010	Commercial	10 February 2050	48,522
(2010) 13-19714	01-13-28-0003	1 September 2010	Commercial	10 February 2050	39,854
Total					88,376

- (2) According to Grant Contract of State-owned Land Use Rights No. 3305012009A21085 dated 7 January 2010, the land use rights of an enlarged development, including the property, comprising a total site area of 302,693.00 sq m have been contracted to be granted to Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奥特莱斯置业有限公司), in which the Target Companies have 100% attributable interest, for a term due to expire on 10 February 2050 for commercial use. The salient conditions are set out as follows:

Location	:	Plot A, south side of the Lake Avenue, Meidong area of the Taihu National Vacation Area
Land Use	:	Commercial
Site Area	:	302,693.00 sq m
Land Use Term	:	40 years for commercial use
Plot Ratio	:	1.0
Permissible Gross Floor Area	:	302,693.00 sq m
Land Premium	:	RMB136,450,000
Building Covenant	:	To commence construction before 1 December 2010 To complete construction before 1 December 2013 (can be delayed in one year)

As advised by the Group, the property comprises a portion of the site as stated in the Grant Contract of State-owned Land Use Rights mentioned above.

- (3) According to Planning Permit for Construction Use of Land No. 330501201000029 dated 19 May 2010, the construction site of an enlarged development, including the property, with a total area of 302,713 sq m is in compliance with the urban planning requirements.
- (4) According to Business Licence No. 330500400013041 dated 4 September 2013, Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奥特莱斯置业有限公司) was established as a limited liability company with a registered capital of USD40,000,000 for a valid operation period from 6 May 2010 to 5 May 2050.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificates for the Use of State-owned Land of the property are valid, legal and enforceable under the PRC laws;
 - (ii) Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奥特莱斯置业有限公司) is the legal land user of the property and the relevant certificates and approval from the government in respect of the construction of the property are in the process of application;
 - (iii) No circumstance is observed which will cause the land to be identified as idle land;
 - (iv) Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奥特莱斯置业有限公司) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgaged, the company has to discharge the mortgage or obtain the mortgagee's consent in advance; and
 - (v) All land premium stated in the Grant Contract of State-owned Land Use Rights has been paid and settled.
- (6) In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Business Licence | Yes |
- (7) Tseching, Manager of DTZ Hangzhou Office, inspected the property on 31 March 2016.
- (8) As advised by the Company, Beijing Capital Land Co., Ltd. (首創置業股份有限公司) has 100% interest attributable in Zhejiang Outlets Property Real Estate Co, Ltd. (浙江奥特莱斯置业有限公司).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

- (a) 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 for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.
- (b) As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.
- (c) As at the Latest Practicable Date, none of the Directors had direct or indirect material interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Enlarged Group.
- (d) There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Enlarged Group.

3. SUBSTANTIAL SHAREHOLDERS

So far as it is known to the Directors, as at the Latest Practicable Date, 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:

As at the Latest Practicable Date							
Name of Shareholder	Capacity	Shares	Approx. % of total issued Shares	Class A Convertible Preference Shares	CPS	Total interests in Shares, Class A Convertible Preference Shares and CPS	Approx. % of total issued Shares
BCG	Beneficial owner	19,800,000	9.9%	–	–	19,800,000	9.9%
BECL	Beneficial owner	130,200,000	65.1%	738,130,482	905,951,470	1,774,281,952	887.14%
Investment							
BCL	Interest of controlled corporation (Note 1)	130,200,000	65.1%	738,130,482	905,951,470	1,774,281,952	887.14%
Capital Group	Interest of controlled corporation (Note 2)	150,000,000	75%	738,130,482	905,951,470	1,794,081,952	897.04%

Notes:

1. BECL Investment is a wholly-owned subsidiary of BCL. As such, BCL is deemed to be interested in all the Shares, Class A Convertible Preference Shares and CPS (as the case may be) in which BECL Investment is interested or deemed to be interested by virtue of the SFO.
2. As at the Latest Practicable Date, Capital Group controlled approximately 54.47% 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, Class A Convertible Preference Shares and CPS (as the case may be) in which BCL and BCG are interested or deemed to be interested by virtue of the SFO.

As shown in the table above, BCL, BECL Investment and Capital Group are companies with interests which fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO. Mr. Tang Jun and Mr. Wang Hao are executive directors of BCL and Mr. Li Songping is a non-executive director of BCL and a director of Capital Group. Mr. Tang Jun is also a director of BECL Investment. Mr. Wang Hao is also a director of Capital Group, the controlling shareholder of BCL and a state-owned limited liability company under the direct supervision of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

4. MATERIAL CONTRACTS

The Enlarged Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

- (a) the acquisition agreement dated 15 August 2014 entered into between Far Reaching Company Limited and Asian Expert Limited in relation to the transfer of 100% of the equity interest of Xi'an Capital Xin Kai Real Estate Ltd. from Asian Expert Limited to Far Reaching Company Limited for a consideration of approximately HK\$1,963.4 million;
- (b) the subscription agreement dated 15 August 2014 entered into between Get Thrive Limited and the Company in relation to the subscription by Get Thrive Limited of 738,130,482 convertible preference shares at an issue price of HK\$2.66 per convertible preference shares which will be issued by the Company;
- (c) the non-competition deed dated 13 November 2014 and executed by each of BCL and the Company mutually in favour of each other, incidental to the purchase of 100% equity interest of Xi'an Capital Xin Kai Real Estate Ltd. held by Asian Expert Limited as contemplated under the equity transfer agreement dated 15 August 2014 entered into between Far Reaching Company Limited and Asian Expert limited;
- (d) the sponsor agreement dated 25 November 2014 entered into among, inter alia, the Company, Asian Expert Limited and HSBC Corporate Finance (Hong Kong) Limited in relation to their rights and obligations in connection with the new listing application of the Company;
- (e) the sale and purchase agreement dated 3 December 2014 entered into between Leadwin Asia Group Limited and Shengfa Limited for the sale and purchase of all the issued shares of Cheng Wang Limited and the non-interest bearing shareholder's loan outstanding and owed by Cheng Wang Limited to Shengfa Limited;

- (f) the subscription agreement dated 23 July 2015 entered into between Rosy Capital Global Limited, the Company and BCG, The Hongkong and Shanghai Banking Corporation Limited, DBC Bank Ltd., Bank of China (Hong Kong) Limited, China Construction Bank Corporation, Singapore Branch and ABCI Capital Limited in connection with the proposed international offering of RMB1,300 million guaranteed notes at the rate of 5.25% per annum with maturity date on 30 July 2018;
- (g) the Acquisition Agreements;
- (h) the Amended Non-Competition Deed; and
- (i) the Subscription Agreement.

5. LITIGATION AND CLAIMS

As at the Latest Practicable Date, the Enlarged Group is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Enlarged Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following Directors are also directors and/or officers of BCL as set out in the table below.

Name of Director	Position held in BCL
Wang Hao	Chairman and executive director
Tang Jun	President and executive director
Li Songping	Non-executive Director

BCL is a large integrated leading real estate developer in the PRC, focusing on residential properties, outlets-backed integrated properties, urban core integrated complexes and primary land development. By coordination of integrated complexes and each line of business, the Company aims at building the core competitiveness and achieving competition differentiation. On 13 November 2014, the Company has entered into the Non-Competition Deed with BCL, pursuant to which BCL has undertaken that it would not engage in property business in any selected cities in PRC (details of which are disclosed in the circular of the Company dated on 26 November 2014 and under “Letter from the Board - Amended Non-Competition Deed” in this circular). Accordingly, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business which competes or is likely to compete with the business of the Group.

7. EXPERT'S CONSENT AND QUALIFICATION

Each of Ample Capital, DTZ, Jingtian & Gongcheng Attorneys At Law (北京市競天公誠律師事務所) and PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or report(s) and/or valuation certificate(s) and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

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

Name	Qualifications
Ample Capital	a corporation licensed to conduct Types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management respectively) under the SFO
DTZ	independent property valuer
Jingtian & Gongcheng Attorneys At Law (北京市競天公誠律師事務所)	PRC legal advisers
PwC	Certified Public Accountants

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

The company secretary is Mr. Lee Sze Wai, who is a member of the Hong Kong Institute of Certified Public Accountants.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business of the Company in Hong Kong is at Suites 2906-08, AIA Central, 1 Connaught Road Central, Hong Kong. The transfer office of the Company is Tricor Investor Services Limited, Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the place of business of the Company in Hong Kong unless (i) a tropic cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, except public holidays, for a period of 14 days from the date of this circular:

- (a) the Articles;
- (b) the articles of association of each of the Target Companies;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 74 of this circular;
- (e) the annual reports of the Company for each of the two years ended 31 March 2013 and 2014, the nine months ended 31 December 2014 and the year ended 31 December 2015;
- (f) the Accountants' Reports on the Target Companies prepared by PwC, the texts of which are set out in Appendix II to this circular;
- (g) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group issued by PwC, the text of which is set out in Appendix III to this circular;
- (h) the Property Valuation Report issued by DTZ, the text of which is set out in Appendix V to this circular;
- (i) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (j) the consent letters referred to in the paragraph headed "Expert's consent and qualification" in this Appendix;
- (k) the legal opinion given by Jingtian & Gongcheng Attorneys At Law (北京市競天公誠律師事務所) regarding the titles to the properties and the interests of the Target Group in the properties in the PRC;
- (l) the circular of the Company dated 15 March 2016; and
- (m) this circular.

NOTICE OF THE EGM

CAPITAL JUDA
BEIJING CAPITAL JUDA LIMITED
首創鉅大有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1329)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Beijing Capital Juda Limited (the “Company”) will be held at 10:00 a.m. on Monday, 18 July 2016 at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong for the purposes of considering and, if thought fit, passing the following resolutions numbered 1 to 4 as ordinary resolutions of the Company, with or without amendments. Capitalised terms contained in the circular dated 30 June 2016 (the “Circular”) issued by the Company shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition (including, among other things, the Amended Non-Competition Deed)

1. **“THAT:**

- (a) the Acquisition Agreements, the Amended Non-Competition Deed 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;

NOTICE OF THE EGM

- (b) to facilitate the allotment and issue of the CPS under the Subscription Agreement, the share capital of the Company shall be re-designated and re-classified in the following manner with effect on the Completion Date (as defined under the Subscription Agreement) immediately before Completion (as defined under the Subscription Agreement) (the “Effective Date”):–
 - (i) all existing limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each in the authorised share capital and issued share capital of the Company shall be re-designated and re-classified as Class A limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each of the Company;
 - (ii) new 905,951,470 limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each of the Company having the rights and restrictions as set out in Schedule 2 to the Subscription Agreement and to be designated as Class B limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each in the share capital of the Company shall be created;
 - (iii) the authorised share capital of the Company shall thereupon become HK\$200,000,000 divided into 20,000,000,000 shares of par value HK\$0.01 each comprised of (i) 18,355,918,048 ordinary shares of HK\$0.01 par value each (the “Shares”); (ii) 738,130,482 Class A limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each; and (iii) 905,951,470 Class B limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each, with the designation and classification of all existing Shares remain unchanged and all existing issued limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each being re-designated and re-classified as Class A limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each as contemplated in paragraph (i) above; and
- (c) 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 the matters contemplated in this resolution no.2, including without limitation, to authorise the Cayman Islands registered office of the Company to make all such requisite filings with the Registrar of Companies following the Effective Date in accordance with the laws of the Cayman Islands.”

Resolution in relation to the grant of the Specific Mandate

- 3. “**THAT** subject to the passing of ordinary resolutions nos.1 and 2 and conditional upon the Listing Committee granting the listing of, and the permission to deal in, the Conversion Shares:
 - (a) the grant of the Specific Mandate for the allotment and issue of the CPS in accordance with the terms of the Subscription Agreement and the Conversion Shares be and are hereby approved; and

NOTICE OF THE EGM

- (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 grant of the Specific Placing Mandate

4. “**THAT** subject to the passing of ordinary resolution no.1:

- (a) the grant of the Specific Placing Mandate for the allotment and issue of 790,000,000 new Shares, subject to the terms and conditions as set out in the Circular, 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.4.”

Yours faithfully,
For and on behalf of the Board of
Beijing Capital Juda Limited
Lee Sze Wai
Company Secretary

Hong Kong, 30 June 2016

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company. A form of proxy for use at the EGM is enclosed herewith.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopwell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof.
5. Delivery of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjourned meeting or upon the poll concerned and, in such event, the instrument appointing a proxy will be deemed to be revoked.
6. As at the date of this notice, the Board comprises Mr. TANG Jun (Chairman) and Mr. ZHONG Beichen (Chief Executive Officer) as executive Directors; Mr. WANG Hao and Mr. LI Songping as non-executive Directors; and Dr. NGAI Wai Fung, Ms. ZHAO Yuhong and Mr. HE Xiaofeng as independent non-executive Directors.