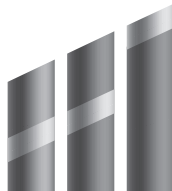

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Hao Tian Development Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this circular.



昊天發展集團有限公司

Hao Tian Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED ACQUISITION OF 100% INTEREST
IN AN INVESTMENT HOLDING COMPANY
WITH LOGISTICS PROJECT IN URUMQI
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

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



泛亞金融有限公司
Pan Asia Corporate Finance Limited

A letter from the Board is set out on pages 10 to 30 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 31 to 32 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 74 of this circular.

A notice convening the extraordinary general meeting of Hao Tian Development Group Limited to be held at the Training Room, 4/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on 16 February 2015, at 10:30 a.m. is set out on pages 112 to 113 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you intend to attend and vote at the extraordinary general meeting or any adjourned meeting (as the case may be) in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

26 January 2015

CONTENTS

	<i>Page</i>
Definitions	1
Responsibility Statement	6
Risk Factors	7
Letter from the Board	10
Letter from the Independent Board Committee	31
Letter from the Independent Financial Adviser	33
Appendix I – Valuation Report on the Land Use Rights	75
Appendix II – Valuation Report on the Target Land.	95
Appendix III – Report from Deloitte Touche Tohmatsu Regarding the Valuation Report	101
Appendix IV – Letter from Kingston Corporate Finance Limited Regarding the Valuation Report	103
Appendix V – General Information	105
Appendix VI – Procedures for Poll Voting	111
Notice of Extraordinary General Meeting	112

DEFINITIONS

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

“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (except a Saturday or Sunday) on which banks are generally open for business in Hong Kong
“Business Plan”	the business plan of the Project Company with reference to and adopted from the business plan prepared by China Machinery TDI
“Acquisition”	the acquisition of the Target Group pursuant to the SPA
“China Machinery TDI”	中機十院國際工程有限公司 (China Machinery TDI International Engineering Company Limited*)
“Company”	Hao Tian Development Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the Shareholder’s Loan
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$150 million, being the aggregate consideration for the Sale Shares and the Shareholder’s Loan
“Director(s)”	the director(s) of the Company
“Deed of Indemnity”	the deed of indemnity to be entered into among the Vendor, the Purchaser and the Target Company on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein

DEFINITIONS

“Enlarged Group”	the Group after the Completion, including the Target Group
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve (among other things), if thought fit, the Acquisition as contemplated under the SPA
“EGM Notice”	the notice convening the EGM which is set out on pages 112 to 113 of this circular
“Fifth Supplemental Agreement”	the fifth supplemental agreement dated 22 January 2015 amending certain terms of the SPA
“First Supplemental Agreement”	the first supplemental agreement dated 27 December 2013 amending certain terms of the SPA
“Fourth Supplemental Agreement”	the fourth supplemental agreement dated 28 November 2014 amending certain terms of the SPA
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company constituted to consider the terms of the Acquisition, the SPA and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Acquisition. Mr. Chan Ming Sun Jonathan, Mr. Lam Kwan Sing and Mr. Lee Chi Hwa, Joshua have been appointed by the Board to serve as members of the Independent Board Committee
“Independent Financial Adviser”	Pan Asia Corporate Finance Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Acquisition

DEFINITIONS

“Independent Shareholders”	Shareholders other than any connected person with a material interest in the Acquisition
“Land Use Rights”	the land use rights of the Target Land and the development thereon
“Latest Practicable Date”	22 January 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	means the non-legally binding (save for provisions on exclusivity, validity period, confidentiality, nature of the MOU, fees and expenses and governing law) memorandum of understanding dated 21 December 2012 entered into between the Vendor, the Target Company and the Purchaser in relation to the Acquisition
“Ms. Ma”	Ms. Ma Lirong (馬麗蓉), a director of various subsidiaries of the Company
“Ms. Fan”	Ms. Fan Xiaofang (范小芳), a former director of certain PRC subsidiaries of the Company
“New Style”	New Style Corporation Limited (新品有限公司), a company incorporated in Hong Kong, and a direct wholly-owned subsidiary of the Target Company whose principal business is investment holding
“Project”	the project in relation to the construction and development of the Target Land
“Project Company”	新疆新品物流有限公司 (Xinjiang Xinpin Logistics Co., Ltd.*), a company established in the PRC, which is wholly-owned by New Style and which acquired and will develop the Target Land
“PRC”	the People’s Republic of China

DEFINITIONS

“Purchaser”	Tenfield Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“Refundable Deposit”	a refundable deposit of HK\$150 million paid by the Purchaser to the Vendor upon signing of the SPA, which shall be satisfied by transferring the deposit of HK\$150 million paid to the Vendor by the Purchaser under the MOU
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SPA”	the sale and purchase agreement dated 27 June 2013 (as supplemented by the Supplemental Agreements) between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares and the Shareholder’s Loan
“Sale Shares”	1,000 fully-paid ordinary shares with par value of US\$1.00 each in the capital of the Target Company, representing its entire issued shares
“Second Supplemental Agreement”	the second supplemental agreement dated 20 June 2014 amending certain terms of the SPA
“Shareholder’s Loan”	the amount due by the Target Company to the Vendor at the Completion
“Shareholder(s)”	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the First Supplemental Agreement, Second Supplemental Agreement, Third Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement

DEFINITIONS

“Target Company”	Access Profit Global Enterprises Group Limited, a company established in the British Virgin Islands with limited liability
“Target Group”	the Target Company and all of its subsidiaries, and the Target Land
“Target Land”	such land of total area of approximately 151,100.19 sq.m. located at 烏魯木齊市甘泉堡工業園區甘露街3號 (No.3 Ganlu Road, Ganquanbao Industrial Park, Urumqi) which is proposed to be used for logistics and warehousing development purpose
“Third Supplemental Agreement”	the third supplemental agreement dated 30 September 2014 amending certain terms of the SPA
“Valuation Report”	the valuation report in respect of the Land Use Rights set out in Appendix I to this circular
“Vendor”	Sunshine Zhong Xing Capital Holdings Limited (formerly known as Wealth Express Global Holdings Limited), a company incorporated in the British Virgin Islands, which is owned as to 60% by Ms. Ma and as to 40% by Ms. Fan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

Certain English translation of Chinese names or words in this circular are included for information only, and are not official English translations of such Chinese names or words.

Unless specified otherwise, for illustration purposes, references to RMB to HK\$ are based on the exchange rate of HK\$1 = RMB0.8.

* for identification purposes only

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.

RISK FACTORS

RISK FACTORS IN RELATION TO THE BUSINESS OF THE TARGET GROUP

1. Risks relating to not being able to obtain the State-owned Land Use Rights Certificate for the Target Land as planned within the expected timeframe

Notwithstanding the Company has sought the legal opinion from its PRC legal advisers, which opined that, among other things, there is no material legal impediment for the Project Company to obtain the State-owned Land Use Rights Certificate for the Project Company in compliance with the requests and procedural steps of the relevant government authorities, in the event that the Project Company is unable to comply with the requests or complete the necessary procedural steps within the expected timeframe, or the PRC local authorities may implement new rules, procedures and steps from time to time, the Project Company may not be able to obtain the State-owned Land Use Rights Certificate within the expected timeframe and may result in further delay in the Project, which may have an adverse impact on the future prospects of the Group.

2. Risks relating to material deviation from the basis and assumptions adopted in the Business Plan

The basis of the Business Plan is the business plan provided by China Machinery TDI. Notwithstanding China Machinery TDI possessing the necessary qualifications, but it is not responsible for the feasibility, viability or actual implementation of the plan. Details of China Machinery TDI are set out under the paragraph headed “Information on the Target Group” in the Letter from the Board to this circular.

As the construction of the Project is yet to commence and the implementation of the Business Plan is based on the basis and assumptions adopted therein without backed by any signed contract, in the event that the actual outcome and implementation of the Business Plan is materially deviated from the basis and assumptions adopted therein, which included but not limited to the projected revenue, occupancy rates, operating expenses and intended customers base etc., the business operation and profitability of the Group may be adversely impacted.

3. Risks relating to lack of experienced personnel

The Group’s lack of personnel with experience in the logistics industry may adversely affect the future operations of the Project Company. Notwithstanding the lacking of management expertise as at the Latest Practicable Date, corresponding talents will be recruited in due course by the Company to ensure that the Target Group will be run by experienced personnel at the commencement of operation.

RISK FACTORS

4. Risks relating to not being able to obtain a construction permit

A construction permit will be required for the Target Land for commencement of the construction work. In the event that the Project Company is unable to comply with the requests or complete the steps within the expected timeframe or the PRC local authorities may implement new rules, procedures and steps from time to time, the Project Company may not be able to obtain the construction permit within the expected timeframe and may result in further delay in the Project, which may have an adverse impact on the future prospects of the Group. Nonetheless, in the event that the Target Company is unable to obtain the construction permit by 31 December 2018, pursuant to the Second Supplemental Agreement, the Group will be compensated by the Vendor by a maximum of RMB25 million with the right to unwind the Acquisition accordingly. For details, please refer to the paragraph headed “Special Undertakings” in the “Letter from the Board” in this circular.

5. Uncertainty risks relating to the recovery of the global economy

The sustainable development of the global economy at present is undergoing severe challenges. Due to the sluggish growth of several major economies, especially the sustained downturn in the US economy with uncertain recovery in the future, the recovery of the global economy is exposed to instability and uncertain risks. This might affect the profitability of the Target Group in the event that customers of the Target Group engage in trading business overseas.

6. Political, economic and social environments in the PRC

Being an enterprise with operations mainly located in Xinjiang, the PRC, the Target Group’s business is largely affected by the economic, political, legal and social environment in the PRC and Xinjiang. In particular, any change in laws and regulations, the introduction of new tax laws, foreign exchange and remittance restrictions and adjustments to tax rates or tariffs may have an adverse impact on the business operations and profitability of the Group.

7. Risks relating to road accidents

Road traffic accidents are one of the major risks the Target Group is exposed to. Loss or damages on carrying goods, and possibly vehicles and casualties might adversely affect the business performance, operations, profitability and reputation of the Target Group. In order to limit the loss due to the occurrence of accidents, the Target Group will review its insurance policy frequently. However, the risk of safety accidents caused by problems such as road conditions, vehicle conditions and safety management given the suddenness of major traffic accidents and the adverse impact on the Target Group’s operations cannot be ruled out.

RISK FACTORS

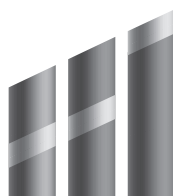
8. Risks relating to volatile oil prices

Fuel prices depend on a combination of various factors, such as oil prices in the international market and national control policies for fuel prices. Therefore, future price trends are subject to a certain degree of uncertainty. Fluctuations in oil prices have both positive and negative impact on both the income and profit of enterprises. On one hand, fuel expenses are one of the major operating costs of transportation enterprises. Fluctuations in fuel prices will lead to changes in operating costs, as a result of which the profit of the Group will fluctuate. If fuel prices continue to rise in the future, this may have a negative impact on the profitability of the Group.

9. Risks relating to rising labor costs

In recent years, labor costs in the PRC have been rising continuously, which has led to negative impacts on enterprises. If labor costs continue to rise, the profitability of the Group will be adversely affected.

LETTER FROM THE BOARD



昊天發展集團有限公司

Hao Tian Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

Executive Directors:

Mr. Xu Hai Ying
Dr. Zhiliang Ou, *JP (Australia)*
Mr. Fok Chi Tak

Independent Non-executive Directors:

Mr. Chan Ming Sun Jonathan
Mr. Lam Kwan Sing
Mr. Lee Chi Hwa, Joshua

Registered office:

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

*Head office and principal place
of Business:*

Rooms 4917-4932, 49th Floor
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

26 January 2015

To all Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED ACQUISITION OF 100% INTEREST
IN AN INVESTMENT HOLDING COMPANY
WITH LOGISTICS PROJECT IN URUMQI
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 21 December 2012, 22 March 2013, 27 June 2013 and 20 June 2014 respectively in relation to, among others, the proposed Acquisition of 100% interest in an investment holding company which proposed to develop a logistics project in Urumqi and the announcements made by the Company dated 30 August 2013, 27 December 2013, 30 April 2014, 20 June 2014, 29 August 2014, 30 September 2014, 31 October 2014, 28 November 2014 and 22 January 2015 in relation to, among others, the delay in despatch of circular, extension of long stop date of the SPA and updates on the proposed Acquisition.

LETTER FROM THE BOARD

On 21 December 2012, the Purchaser, the Vendor and the Target Company entered into the MOU in relation to the Acquisition. Pursuant to the MOU, the Refundable Deposit of HK\$150 million was paid to the Vendor.

On 27 June 2013, the Vendor and the Purchaser entered into the SPA for sale and purchase of the Sale Shares and the Shareholder's Loan at a consideration of not more than HK\$300 million, subject to downward adjustment. As set out in the announcement of the Company dated 20 June 2014, the Vendor and the Purchaser entered into the Second Supplemental Agreement, whereby, the parties agreed on the Consideration in the sum of HK\$150 million and the Vendor agreed to provided, among others, a profit guarantee to the Purchaser.

The Acquisition constitutes a discloseable transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. The Independent Board Committee has been constituted to consider the terms of the Acquisition as contemplated under the SPA and to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Acquisition as contemplated under the SPA. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition as contemplated under the SPA.

The purpose of this circular is to provide Shareholders with information in connection with, among other things, among other things, further information on the Acquisition of the Target Group, the advice of the Independent Financial Adviser and the recommendation of the Independent Board Committee.

THE SPA

Pursuant to the SPA (as supplemented by the Supplemental Agreements), the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares and the Shareholder's Loan at a consideration of HK\$150 million.

Date 27 June 2013

LETTER FROM THE BOARD

Parties

Vendor: Sunshine Zhong Xing Capital Holdings Limited (formerly known as Wealth Express Global Holdings Limited). The Vendor is owned as to 60% by Ms. Ma and as to 40% by Ms. Fan and is an investment holding company. Ms. Ma is a director of certain subsidiaries of the Company. Ms. Fan is a former director of certain subsidiaries of the Company. The Vendor is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Purchaser: Tenfield Investments Limited, a wholly-owned subsidiary of the Company

Assets being acquired

The Project Company is an indirectly wholly-owned subsidiary of the Target Company. Upon completion of the Acquisition, both the Target Company and the Project Company will become indirect wholly-owned subsidiaries of the Company. The principal asset of the Target Company is the entire registered capital of the Project Company whereas the principal asset of the Project Company is the Target Land, which was acquired by the Vendor on 14 November 2013 at a price of RMB12.8 million (equivalent to approximately HK\$16 million). The Target Land is located in Urumqi with a site of approximately 151,100.19 sq.m. designated for logistics and warehousing development purpose. The site area, based on the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) dated 14 November 2013, is slightly different from that was stated in the Company's announcement dated 27 June 2013. The previously announced site area was 151,334 sq.m, which was based on the approval document from the National Development and Reform Commission.

Consideration

The aggregate Consideration comprises (i) the consideration for the Sale Shares, which will be a sum calculated by deducting face value of the Shareholder's Loan from the Consideration, and (ii) the consideration for the Shareholder's Loan. As at the Latest Practicable Date, the outstanding amount of the Shareholder's Loan was approximately HK\$19 million.

LETTER FROM THE BOARD

The Consideration in the sum of HK\$150 million was agreed after commercial and arm's length negotiations between the Vendor and the Purchaser taking into account various factors including (a) the location and valuation of the Target Land (i.e. RMB16 million); (b) the valuation of the Land Use Rights as conducted by an independent valuer, which was prepared on the assumption that the logistics park where the Target Land situates will be successfully constructed and commence operations in 2018; (c) the average price of similar land in proximity to the Target Land, (d) the strategic rationale behind the transactions contemplated including the business nature of the Target Group and the future prospects of the relevant industries including general economic trends and market growth in the Xinjiang Uygur Autonomous Region, (e) the time and efforts spent by the Target Group since 2011 in applying for and obtaining the necessary approvals from the relevant authorities in relation to the Project, and (f) the reasons and benefits of the Acquisition as set out under the paragraph headed "Reasons for and benefits of the Acquisition" below.

As at 31 October 2014, the valuation of the Land Use Rights as set out in the Valuation Report, which is conducted by Roma Appraisals Limited ("**Valuer**"), an independent professional valuer, is HK\$160 million. Details of which are set out in Appendix I to this circular.

Based on the information available to the Group, the People's Government Office in Midong (米東區人民政府辦公室) has approved the application of the Target Group in developing the logistic and storage business in Ganquanbao Industrial Park (甘泉堡工業園) in November 2011. Subsequent to the approval, the Target Group had, among other things, engaged China Machinery TDI to prepare for the business plan for submission to Xinjiang government for approval of the proposed development plan of the Project and applied for the Target Land through the "land bid invitation, auction and listing system" (招拍掛) in the PRC, which is an open process of making of a grant of land use rights to bidders administered by the land bureau of the PRC local government. Successful bidder with the highest bid who satisfies the terms and conditions of the grant will enter into a Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) and pay the land premium for acquiring the land use rights. On 14 November 2013, the said Contract for State-Owned Construction Land Use Right Assignment was entered into by the Target Group, pursuant to which the Vendor has acquired the Target Land at a price of RMB12.8 million (equivalent to approximately HK\$16 million).

LETTER FROM THE BOARD

Furthermore, as confirmed with the regulatory unit in Ganquanbao Industrial Park, as at the Latest Practicable Date, all lands in Ganquanbao Industrial Park that were reserved for logistics used have been sold. Any company which is interested to run logistics business in the park would have to acquire the land in the secondary market. Pursuant to the valuation report of the Target Land as detailed in Appendix II to this circular, the valuation of the Target Land as at 31 October 2014 was RMB16 million (or approximately HK\$20 million), representing an appreciation of RMB3.2 million (or a 25% increment) from the initial cost of the Target Land.

Based on the above, notwithstanding the Consideration represents a relatively high premium of approximately HK\$130 million over the valuation of the Target Land as at 31 October 2014 of RMB16 million (or approximately HK\$20 million), having considered the above factors which included but not limited to the valuation of the Land Use Rights and the special undertakings pursuant to the Second Supplemental Agreement as detailed under the paragraph headed “Special Undertakings” below, the Company considered that the Consideration is fair and reasonable and in the interests to the Company and Shareholders in the long run.

The Consideration shall be satisfied by the Vendor transferring the Refundable Deposit of HK\$150 million which had already been paid to the Vendor by the Purchaser under the MOU. The Group has financed the Consideration (which equals to the amount of the Refundable Deposit) by its internal resources.

Conditions Precedent

Completion of the Acquisition is subject to the satisfaction of the following conditions precedent:–

- (a) the passing of the relevant resolution(s) by the Company at the EGM by the Independent Shareholders to approve the SPA and the transactions contemplated therein;
- (b) the Purchaser having received a valuation report issued by an independent international valuer acceptable to the Purchaser and the Vendor in relation to the Land Use Rights such report to cover such matters relating to the Target Land as requested by the Purchaser and to comply with the relevant requirements of the Listing Rules;
- (c) all requisite approvals, consents and authorisations required under all applicable laws and regulations (including, without limitation, all applicable PRC and Hong Kong laws and regulations), the Stock Exchange and the Listing Rules in relation to the Acquisition of the Target Group having been duly obtained;

LETTER FROM THE BOARD

- (d) the Purchaser having conducted and completed due diligence on all business, technical, legal and financial matters, and all such other matters as deemed necessary by the Purchaser in its absolute discretion, in relation to the Target Group, and the Purchaser being satisfied with the results of such due diligence in its absolute discretion and the results not showing any material breach of warranties given by the Vendor under the SPA;
- (e) the Purchaser receiving a legal opinion from a firm of lawyers qualified to practise in the PRC confirming (i) the legality and validity of the Project Company under the laws of the PRC; (ii) the Project Company has obtained land title certificate and all permits and licenses for the construction and development of the Target Land under the laws of the PRC; (iii) all necessary approvals, authorisations, consents, registrations and filings required in relation to the proposed development on the Target Land have been made under the laws of the PRC; (iv) the Project Company has paid all the land purchase price, tax and related expenses; and (v) any other matters as deems necessary by the Purchaser;
- (f) the warranties contained in the SPA shall remain true and accurate as at Completion in all respects;
- (g) the Purchaser and the Vendor having agreed on the adjustment to the Consideration based on the valuation of the Land Use Rights of not less than HK\$150 million and commercial and arm's length negotiations; and
- (h) all parties to the SPA having performed or complied with the provisions and obligations under the SPA on and prior to Completion.

Conditions (b) to (h) are capable of waiver by Purchaser. If the above conditions precedent are not fulfilled and/or waived by 31 March 2015, the Purchaser may terminate the SPA and whereupon the Refundable Deposit shall be returned to the Purchaser. As at the Latest Practicable Date, the Purchaser has received the Valuation Report as mentioned in condition (b). Details of which are set out in Appendix I to this circular. In relation to condition (g), the parties have agreed on the Consideration in the sum of HK\$150 million pursuant to the Second Supplemental Agreement and no further adjustment will be made. The Company has no current intention to waive any of the conditions.

LETTER FROM THE BOARD

Pursuant to the PRC legal opinion obtained by the Group, in respect of the title to the Target Land, the PRC legal advisers of the Company opined that, among other things, there is no material legal impediment for the Project Company to obtain the State-owned Land Use Rights Certificate for the Target Land in compliance with the requests and procedural steps of the relevant government authorities; and after obtaining the State-owned Land Use Rights Certificate, the Target Land can be transferred, leased and mortgaged.

Completion shall take place on or before the seventh Business Day (or such other date as the Purchaser and the Vendor may agree) after the conditions precedent set out in the SPA have been fulfilled or waived.

Deed of Indemnity

On Completion, the Target Company, the Vendor and the Purchaser will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, the Vendor undertakes to the Target Company to indemnify and keep indemnified the Target Company from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion.

Special Undertakings

Pursuant to the Second Supplemental Agreement, the Vendor provided additional warranties and undertakings to the Purchaser as set out below:–

- (1) Subject to Completion as contemplated under the SPA, the Vendor guarantees to the Purchaser that the Target Company shall, at the costs of the Vendor, obtain the valid permit for commencement of the construction works within 18 months after the Bureau of Land and Resources of Urumqi City (烏魯木齊市國土資源局) has delivered the Target Land to the Target Company in accordance with the provisions of the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) and the agreed construction proposal (subject to finalisation of the planning and design standards approved by the planning bureau), and obtain, or make as the case may be, the title certificate of the Target Land and all other requisite permits, licenses, approvals, authorisations, consents, registrations and filings required under the laws and regulations of the PRC for the construction, development and use of the Target Land for the logistic and warehousing development purposes by the Target Company as contemplated under the SPA.

LETTER FROM THE BOARD

- (2) In case the valid permit for commencement of the construction works is not obtained by the Target Company by end of the said 18 months' period, and the net profit after tax of the Target Company (the "**Guaranteed Profit**") for the financial year ending 31 December 2018 is below RMB25 million, the Vendor agrees and undertakes to pay the Purchaser a compensation in the amount equivalent to the shortfall between the actual net profit after tax and the Guaranteed Profit of the Target Company.
- (3) In case the valid permit for commencement of the construction works or the land title certificate or any of the requisite permits, licenses, approvals, authorisations, consents, registrations and filings referred to in (1) above is not obtained, or made as the case may be, by the Target Company by 31 December 2018, the Vendor agrees and undertakes to pay RMB25 million to the Purchaser as compensation and the parties agreed to unwind the transaction, whereupon, the entire issued share capital of the Target Company will be transferred to the Vendor without consideration and the Consideration will be returned to the Purchaser.

The Guaranteed Profit of RMB25 million was determined with the assumption that the construction on the Target Land be completed in or around early 2018 and will commence operation after that, the Company has taken into account the profit forecast of the Target Group for the year ending 31 December 2018 (approximately one year's full operation) for the amount of the Guaranteed Profit. Based on the current timetable advised by the Target Group, it is expected that the construction and development on the Target Land will commence in early 2015 and complete by around early 2018 and full operation of the project will start after that.

Given that the Target Company coming into operation within the timeframe as anticipated is a key concern of the Group, if the construction permit is not obtained by the Target Company within the said 18 months, the above specific undertakings (2) & (3) will enable the Group to:–

- (i) receive a compensation by reference to the Guaranteed Profit and continue to operate the logistics business, provided the Target Company commences the construction works with a valid permit prior to 31 December 2018; or
- (ii) receive RMB25 million as compensation together with full refund of the Consideration, if the delay goes beyond 31 December 2018 and the Company unwinds the transaction,

within 7 Business Days after serving a written notice by the Purchaser at the end of 2018.

LETTER FROM THE BOARD

The special undertakings above were arrived after arm's length negotiation between the Purchaser and the Vendor. When the Group obtained the preliminary valuation of the Land Use Rights in 2014, such valuation was lower than the Group's original estimation. It is a condition precedent in the SPA (prior to amendment by the Second Supplemental Agreement) that the valuation of the Land Use Rights shall not be less than RMB200 million, which reflected the Company's original estimation. In the course of further negotiation, the Purchaser and the Vendor agreed on the Consideration of HK\$150 million and the amount of the Guaranteed Profit having considered, among others, the updated valuation of the Land Use Rights and the ability of the Target Company to generate revenue in 2018 as secured by the specific undertakings. Having considered the reasons and benefits of the Acquisition as set out under the paragraph headed "Reasons for and benefits of the Acquisition" below, the Company considered that, so long as the construction on the Target Land can take place within the said 18 months' period, the Company would be able to tap into the potential logistics market in Xinjiang, the PRC and hence it remained its view that the Acquisition is in the interests of the Company and Shareholders as a whole in the long run.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. It is the corporate strategy of the Group to focus on the development of natural gas business and to expand its business gradually to various sectors of clean resources along with expansion of business coverage to other industries. The Group is also engaged in provision of loan financing services, trading of commodities and securities investments.

With the development of economic globalization and the PRC's accelerated pace of integration into the world economy, in order to develop a sustainable economy in the long run, demand for businesses that could facilitate the development of global sourcing, global production and global sales are expected to be high in demand, such as logistics management businesses, which could optimize the allocation of resources, improve market responsiveness and product supply aging, reduce logistics costs of individual enterprise and enhance the competitiveness of the national economy. On this basis, the Directors consider that the Acquisition would form part of the Group's on-going expansion business strategy in Xinjiang, which allows the Group to tap into the up and growing business segment in Xinjiang and become a service provider for logistics and warehousing services to enterprises in Xinjiang. As further detailed below, in view of the abundant resources in Xinjiang, various industries such as electrical engineering, coal-based materials will be developed in the area and the demand for related logistics management and warehousing services will increase accordingly.

LETTER FROM THE BOARD

The Target Land is located in the Ganquanbao Industrial Park (甘泉堡工業園), which forms part of the Ganquanbao Economic and Technological Development Zone (甘泉堡經濟技術開發區) (“**Ganquanbao ETD Zone**”) in Urumqi and located in the northern part of Urumqi, capital of Xinjiang, about 55 km from the city center and close to Wujiaqu City (五家渠市) and Fukang City (阜康市) in Xinjiang. Ganquanbao (甘泉堡), located in Urumqi High-tech Development Zone, is less than 30 km from international airport, with established railway and highway networks nearby. As at the Latest Practicable Date, the Target Land is a piece of bare land pending a valid permit is to be granted by authority for commencement of construction work. The overall planning and construction land area of the Ganquanbao ETD Zone is about 360 sq. km. and 193 sq. km. respectively, whereby the development area of the Target Land is about 151,100 sq.m. for logistics and storage use. It is expected that Urumqi will become an important logistics hub in line with the economic development within the region.

Since the commencement of construction of the area in 2007, various infrastructure and environmental friendly developments such as water storage, electricity, piping, sewage systems, gas, roads, telecommunications etc. have been built in Ganquanbao.

The Ganquanbao ETD Zone is principally divided into and serving seven core functional areas: namely: (a) transformation of resources with competitive advantages; (b) industrial-economic cooperation, (c) new energy, (d) high-technology, (e) logistics and warehousing, (f) environmental and ecological conservation and (g) the provision of relevant services to the core functional areas.

To the best of knowledge, information and beliefs of the Directors, over 20 enterprises, which engage in different industries such as special variable electrical engineering (特變電工) with focus on new energy and circular economic construction projects, coal poly-generation (煤基多聯產), coal-based new materials etc. with total investment amounted to approximately RMB142 billion, have already moved in to the Ganquanbao ETD Zone as at the Latest Practicable Date and the number of enterprises will increase to about 36 in 2015. To this end, improving transport infrastructure has always been a priority for the government in the PRC. The networks of the four modes of transportation (road, railway, water and air) have been expanding over years. In order to further enhance the country’s economy and moving forward to a more developed industrial hub, with more emphasis placed on research and development, technologies and services, the development of the country’s logistics information management and logistics system are high on the list. It is envisaged that when more enterprises moving in to the Ganquanbao ETD Zone, relevant logistics and storage services will be in demand and become necessary. On this basis, the Directors consider the Acquisition will enable the Group to further extend its business coverage in the PRC and thereby will broaden the Group’s revenue base as well as enhance and sustain its earning capabilities.

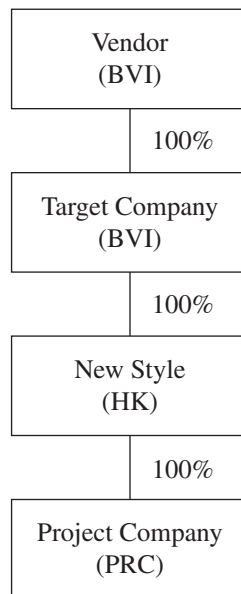
LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser) are of the view that the terms of the Acquisition as contemplated under the SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company is wholly-owned by the Vendor. The Target Company is a company incorporated in the British Virgin Islands with limited liability and according to the information provided by the Vendor, its principal business is investment holding. The Target Company wholly owns New Style which wholly owns the Project Company, and through the Project Company, will hold the Target Land.

The corporate structure of the members of the Target Group as at the date of the SPA is depicted in chart as set out below.



LETTER FROM THE BOARD

No audited account of the Target Company is available since the Target Company is not required to prepare the same in the place of its incorporation, the BVI. For the purposes of this circular, the net profits (both before and after taxation and minority interests) as shown in the unaudited consolidated profit and loss accounts attributable to the Target Group for the years ended 31 December 2012 and 2013 are as follows:–

	For the year ended 31 December	
	2013	2012
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	unaudited	unaudited
Net (loss) before tax	(39)	(15)
Net (loss) after tax	(39)	(15)
Net asset value	252	(25)

The Project Company proposed to develop on the Target Land logistics project having gross floor area of approximately 82,661 sq.m comprising composite warehouses, composite service buildings and open storage and yard (the final gross floor area and construction plan will subject to adjustment and comments from the relevant PRC authorities). As at the Latest Practicable Date, the Project Company has entered into the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) with the Bureau of Land and Resources of Urumqi City (烏魯木齊市國土資源局) and has paid the land grant fee pursuant to the contract.

According to the existing development plans and the SPA, it is estimated that the total investment costs of the Project by the Group will be approximately RMB318 million, representing the sum of: (a) the projected capital expenditure of approximately RMB198 million to be incurred by the Project Company for construction and development of the Project from 2015 to 2030, comprising the prevailing costs of construction, installation, plants and machineries and other investment costs, and (b) the Refundable Deposit of HK\$150 million (equivalent to approximately RMB120 million) paid (“**Total Investment Costs**”). During the construction stage of the Project approximately RMB187.2 million of the expected costs of capital expenditure will be incurred from 2015 to 2018. According to the existing plan, the funds required for investment in the Project will be financed partly by bank loans and partly by fund raising activities in the Hong Kong equity market and/or internal cash. As at the Latest Practicable Date, no definitive terms have been decided in relation to such fund raising exercises.

LETTER FROM THE BOARD

Apart from the general working capital for the operation of the Group and, subject to Completion, the capital needs of the Group shall be the projected capital expenditure of approximately RMB187.2 million for the development of the Project from 2015 to 2018, in particular approximately: (a) RMB23.5 million in 2015; (b) RMB78.6 million in 2016; (c) RMB61.8 million in 2017; and (d) RMB23.3 million in 2018 respectively.

The investment costs in the Project of the Project Company shall be solely the RMB198 million to be allocated as “projected capital expenditure”, which has been included in the projection of the future cashflows of the Project Company and charged as depreciated expenses over the period from 2015 to 2030.

Based on the projection of future cashflows prepared by the Company with reference to the latest business plan of the Project Company having made due and careful enquiries in respect of the bases and assumptions thereof, the Company believes that, barring any unforeseen circumstances, the bases and assumptions adopted in the forecast are fair and reasonable and the Project Company shall be able to achieve the expected capacity as set out in the projection of future cashflows by investing the Total Investment Costs.

At Completion, the fair value of the Land Use Rights as at the date of Completion would be recognised as prepaid lease payments and premium over prepaid lease payments, which is an intangible asset in the consolidated statement of financial position representing the excess of the fair value of the Land Use Rights over the fair value of the prepaid lease payments. No goodwill will be recognized upon Completion of the Acquisition. Based on the accounts provided by the Target Group, the major identifiable asset(s) and liability(ies) of the Target Group is the Target Land and a shareholder’s loan in the amount of approximately HK\$19.07 million as at 31 December 2013. The Company will adopt consistent accounting policies and principal assumptions for the impairment tests of the assets and liabilities of the Target Group in accordance with HKAS 36, and such impairment test will be provided to the Company’s auditors during the interim review and/or annual audit when necessary.

According to the Valuation Report, which is prepared based upon the latest information available and annexed as Appendix I to this circular, the market value of the Land Use Rights was approximately HK\$160 million as at 31 October 2014.

The Valuation Report was prepared based on the Business Plan of the Project Company which in turn is based on various bases and assumptions. Should there be any material deviation from the bases and assumptions, the Group’s business operation and profitability may be adversely affected. For details, please refer to the section headed “Risk Factors” to this circular.

LETTER FROM THE BOARD

The Valuation Report was prepared by the Valuer using income-based approach and based on the projections of the future cashflows of the Project Company from 2014 to 2030, and therefore constituted a profit forecast (“**Profit Forecast**”) under Rule 14.61 of the Listing Rules. Details of the principal assumptions, including commercial assumptions upon which the Profit Forecast is based are set out in Appendix I to this circular.

The Directors confirm that they have made the Profit Forecast after due and careful enquiry. Letters from the accountants and financial adviser of the Company relating to the cash flows projection in connection with the Valuation Report which is prepared pursuant to Rule 14A.59 of the Listing Rules are set out in Appendices III and IV to this circular respectively.

The current valuation shown in the Valuation Report is based on the market conditions as at 31 October 2014. For the purpose of inclusion in the Company’s consolidated financial statements upon Completion in accordance with the HKFRSs, the Consideration of HK\$150 million will be allocated to the individual identifiable assets and liabilities of the Target Group on the basis of their relative fair values at the date of Completion. Accordingly the valuation that will be carried out upon Completion will be based on the conditions as at the Completion. As market conditions may be different from time to time, the parameters that would be adopted in the valuation for financial statements purpose, such as risk free rate, interest rate, etc, may be different from those adopted in the Valuation Report, thus resulting in valuation at the time of the Completion being different from the current valuation shown in the Valuation Report for the purpose of Completion and financial reporting.

As set out in Appendix I to this circular, one of the major assumptions adopted by the Valuer is the reference to the projection of the future cashflows of the Project Company provided by the management of the Group and the Business Plan of the Project Company and assuming that the construction work on the Target Land will take place between 2015 and 2017, while the Project Company would commence operations from 2018.

The Business Plan was prepared with reference to and adopted from the business plan prepared by China Machinery TDI, which has been submitted to the Xinjiang government by the Project Company. China Machinery TDI was established in 1958 and restructured from the Tenth Design and Research Institute of Machinery Industry (機械工業部第十設計研究院) since 2005. Its head office is in Beijing; and branch offices in Shanghai, Shenzhen, Hefei, Zhongshan, Zhengzhou, Xi’an, Wulumuqi and Qingdao. The company is a comprehensive class-A design and research unit under Central Enterprise Group (中央大型企業集團). It holds state-issued class-A certificates for machinery engineering design, architectural engineering design, project management and general contracting, engineering consulting, project supervision, project cost, environmental

LETTER FROM THE BOARD

pollution prevention and control. It holds class-B design certificates for urban planning, light industry, food processing, commercial grain, civil air defense, and municipal engineering. It also has design certificates for pressure container and pressure pipe. It has operational rights for foreign engineering consultation, design, supervision and labor output. It has been certificated for QMS, EMS and OHSAS quality system. As confirmed with the Target Company, the reason for engaging China Machinery TDI to prepare for the Business Plan was that it has the necessary qualifications for preparation of the business plan used for submission to the PRC government authorities. Save for preparing for the business plan, China Machinery TDI is not responsible for the feasibility, viability or actual implementation of the business plan.

Below has set out the key inputs and assumptions for the projection of future cashflows of the Project Company with reference to the Business Plan:

(a) Revenue

The Project Company is expected to commence operations in 2018. The revenue streams would include storage (ordinary goods storage and shelf storage), transportation, loading and parking incomes. They were projected by the management based on the expected capacity of the Project Company, expected occupancy rate and recent market unit rate.

For each revenue stream, the expected capacity was based on the construction proposal and proposed layout set out in the Business Plan.

Storage income

In deriving the estimated storage income, the management of the Project Company estimated that the usage of the storage area will be divided into: (1) indoor area, comprising: (i) 20% of which for shelf storage; (ii) 70% of which for ordinary goods storage; and (iii) the remaining 10% will be for aisle area; and (2) outdoor area, comprising: (i) 70% of which for ordinary goods storage; and (ii) the remaining 30% for green areas, footpaths and roads.

Having considered the commencement of the operation of the Project Company on the Target Land will be in or around early 2018, initially the Project Company would spend more time on marketing and setting up operation. Taking a relatively conservative stance, it is estimated that the occupancy rate of the storage area to be 10% during the first year of full operation and increase each year and reach 80% in 2022 and remain at 80% thereafter.

LETTER FROM THE BOARD

In terms of unit rate per day charged for storage, it was estimated by China Machinery TDI based on its market researches with reference to charges by major companies in Xinjiang operating similar business. The unit rate was also assumed to grow at 3% per annum with reference to the long-term inflation rate in the PRC.

Transportation income

The forecast on transportation income is made reference to the Transport Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區交通運輸廳). For each of the years of 2011, 2012 and 2013, the aggregate road transportation volume in Xinjiang Uygur Autonomous Region were approximately 465 million tons, 519 million tons and 596 million tons respectively, representing a year-on-year increase of approximately 11.4%, 11.8% and 14.6% respectively. Hence, an annual growth rate of 10% is adopted.

In terms of revenue deriving from transportation income, based on the management's estimate, the Target Group is expected to achieve 0.1% of the total market share in road transportation volume in 2018 and by 2023 to achieve 1% of the total market share. With reference to the market, a fixed service fee of an average of RMB10 per ton of goods would be charged per ton with an estimated annual growth rate of 3% with reference to the long-term inflation rate in the PRC. The service fee is arrived on the basis that the Target Group would principally engaged third parties individual drivers for the transportation of goods, which is commonly adopted by enterprises or other logistics companies in Xinjiang. The fixed service fee represents the difference between the costs of engaging the drivers and the service charge to customers.

Parking income

To the best of information, knowledge and belief of the Board and based on the information provided by the Target Group, there is no sizeable parking lot around the logistics park. Pursuant to the Business Plan, the Target Group will layout a parking area with a capacity of parking of 300 large vehicles for rental. Parking fee of RMB10 per day is adopted with reference to the market rate in the region, with an annual growth rate of 3% with reference to the long-term inflation rate in the PRC.

LETTER FROM THE BOARD

Loading income

The loading income represents the loading and unloading services to be provided to customers. Service fees of an average of RMB15 per ton are used with reference to the market rate in the region with reference to the long-term inflation rate in the PRC. The occupancy rate is in line with the basis adopted in deriving the transportation income.

For ease of reference purposes, the following table illustrates a 5-year revenue projection of the Project Company starting from 2018:

For the year-ending December	2018	2019	2020	2021	2022
Expected capacity (m^3)	50,322	50,322	50,322	50,322	50,322
Expected occupancy rate	10%	30%	50%	70%	80%
Unit rate per day (RMB/m^3)	0.50	0.52	0.53	0.55	0.56
Number of working days per year	365	365	365	365	365
Ordinary goods storage income ($RMB'000$)	918	2,838	4,872	7,025	8,269
Expected capacity (m^3)	32,940	32,940	32,940	32,940	32,940
Expected occupancy rate	10%	30%	50%	70%	80%
Unit rate per day (RMB/m^3)	0.70	0.72	0.74	0.76	0.79
Number of working days per year	365	365	365	365	365
Shelf storage income ($RMB'000$)	842	2,601	4,464	6,438	7,578
Total storage income ($RMB'000$)	1,760	5,438	9,336	13,462	15,847
Expected capacity (thousand ton)	920	3,037	5,568	8,575	12,128
Unit rate (RMB/ton)	10.00	10.30	10.61	10.93	11.26
Transportation income ($RMB'000$)	9,204	31,284	59,075	93,705	136,501
Expected capacity (thousand ton)	2,198	2,198	2,198	2,198	2,198
Expected occupancy rate	10%	30%	50%	70%	80%
Unit rate (RMB/ton)	15.00	15.45	15.91	16.39	16.88
Loading income ($RMB'000$)	3,297	10,188	17,490	25,220	29,688
Expected capacity	300	300	300	300	300
Unit rate per day (RMB)	10.00	10.30	10.61	10.93	11.26
Number of parking days per year	300	300	300	300	300
Parking income ($RMB'000$)	900	927	955	983	1,013
Total revenue ($RMB'000$)	15,161	47,838	86,856	133,371	183,049

Note: Numbers may not add up due to rounding.

LETTER FROM THE BOARD

(b) Operating expenses

The operating expenses consist of business tax and surcharges, electricity expenses, water expenses, warming expenses, repair and maintenance, salary and allowances, and administrative expenses.

The business tax and surcharges include business tax, urban maintenance and construction tax, and educational surtax. As advised by China Machinery TDI, the business tax was 5% of total revenue, the urban maintenance and construction tax was 7% of the business tax, and the educational surtax was 3% of the business tax.

The annual electricity, water and warming expenses were estimated based on the annual expected usages and local unit costs. The annual expected usages and local unit costs were sourced from the Business Plan. The local unit costs were assumed to grow at 3% each year with reference to the long-term inflation rate in the PRC.

With reference to the Business Plan, the repair and maintenance expense was estimated based on 10% of the depreciation expense in the corresponding year, with a 3% cost growth each year in line with the long-term inflation rate in the PRC.

The salary and allowances were estimated based on the labor force required for the operations of the Project Company and local market payrolls with reference to the Business Plan. The local market payrolls were assumed to grow at 3% each year with reference to the long-term inflation rate in the PRC.

The administrative expenses were estimated to be 5% of the total revenue in the corresponding year, based on the Business Plan. The administrative expenses included telephone expenses, office expenses, travelling expenses and etc.

LETTER FROM THE BOARD

The following table illustrates a 5-year operating expenses projection of the Project Company starting from 2018:

For the year-ending December	2018	2019	2020	2021	2022
Business tax and surcharges (RMB'000)	834	2,631	4,777	7,335	10,068
Electricity expense (RMB'000)	64	197	339	488	575
Water expense (RMB'000)	15	48	82	118	139
Warming expense (RMB'000)	159	493	846	1,220	1,436
Repair and maintenance (RMB'000)	104	342	590	855	1,011
Salary and allowances (RMB'000)	953	2,944	5,053	7,287	8,578
Administrative expense (RMB'000)	1,516	4,784	8,686	13,337	18,305
Total operating expenses (RMB'000)	3,645	11,438	20,372	30,639	40,110

Note: Numbers may not add up due to rounding.

(c) Depreciation expenses

The depreciation expenses were estimated by the straight-line depreciation of the projected capital expenditure with a useful life of 20 years, based on the Business Plan.

The following table illustrates a 5-year depreciation expenses projection of the Project Company starting from 2018:

For the year-ending December	2018	2019	2020	2021	2022
Depreciation expense (RMB'000)	9,550	10,155	10,202	10,249	10,296

(d) Income tax expenses

The incomes tax expenses were estimated based on the corporate tax rate of China of 25%.

(e) Net profit

The net profit each year is estimated by on revenue less operating expenses, depreciation expenses and income tax expenses in the corresponding year.

LETTER FROM THE BOARD

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Ms. Ma is a director of certain subsidiaries of the Company; whereas Ms. Fan is a former director of certain subsidiaries of the Company and therefore connected persons of the Company under the Listing Rules. The Vendor is owned as to 60% by Ms. Ma and as to 40% by Ms. Fan and is an associate of both Ms. Ma and Ms. Fan, and therefore, the Vendor is also a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, subject to reporting, announcement and the approval by the Independent Shareholders at a general meeting of the Company by poll under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, Ms. Fan is interested in 9,476,400 Shares in the Company as at the Latest Practicable Date. Ms. Fan and her associates (if any) will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the SPA and the transactions contemplated thereunder.

None of the Directors has a material interest in the Acquisition or, is required to abstain from voting on the board resolution for considering and approving the SPA.

EGM

The EGM Notice is set out on pages 112 to 113 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein.

A form of proxy for the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish. Pursuant to the Listing Rules, voting by poll is required for any resolution put to vote at the EGM.

LETTER FROM THE BOARD

VOTING BY POLL AT THE EGM

Pursuant to Rule 13.39 of the Listing Rules and article 66 of the Articles, any votes of the Shareholders at a general meeting must be taken by poll. An announcement on the poll results will be published after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Details of procedures for conducting a poll are set out in the Appendix VI to this circular.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” set out on pages 31 to 32 of this circular containing the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Acquisition; and (ii) the “Letter from the Independent Financial Adviser” set out on pages 33 to 74 of this circular containing the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

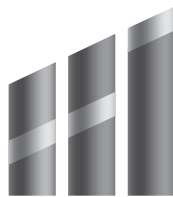
The Directors are of the opinion that the terms of the SPA are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. The Directors consider that the SPA and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the SPA and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

By order of the Board
Hao Tian Development Group Limited
Fok Chi Tak
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



昊天發展集團有限公司

Hao Tian Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

26 January 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED ACQUISITION OF 100% INTEREST
IN AN INVESTMENT HOLDING COMPANY
WITH LOGISTICS PROJECT IN URUMQI
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 26 January 2015 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meaning when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the SPA and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Pan Asia Corporate Finance Limited has been appointed as independent financial adviser to advise us and the Independent Shareholders in this respect.

Your attention is drawn to the letter from the Independent Financial Adviser in the Circular containing the advice of the Independent Financial Adviser in respect of the SPA and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

We have considered the principal factors taken into account by the Independent Financial Adviser in arriving at its opinion in respect of the SPA and the transactions contemplated thereunder. We concur with the views of the Independent Financial Adviser that the SPA and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution in respect of the SPA.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Hao Tian Development Group Limited

Chan Ming Sun Jonathan
Independent
non-executive Director

Lam Kwan Sing
Independent
non-executive Director

Lee Chi Hwa, Joshua
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed discloseable and connected transaction, which has been prepared for the purpose of inclusion in this circular.



Unit 1504, 15th Floor,
The Center
99 Queen's Road Central
Central, Hong Kong

26 January 2015

*To: The Independent Board Committee and
the Independent Shareholders of Hao Tian Development Group Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition including, without limitation, the terms of the SPA and the transactions contemplated under it, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular to the Shareholders dated 26 January 2015 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Pursuant to the SPA (as amended by the Supplemental Agreements), the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares and the Shareholder's Loan at a consideration of HK\$150 million.

According to the Letter from the Board, the Project Company is an indirectly wholly-owned subsidiary of the Target Company. Upon completion of the Acquisition, both the Target Company and the Project Company will become indirect wholly-owned subsidiaries of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The principal asset of the Target Company is the entire registered capital of the Project Company and the principal asset of the Project Company, in turn, is the Target Land, which was acquired by the Vendor on 14 November 2013 at RMB12.8 million (equivalent to approximately HK\$16 million). The Target Land is a site of approximately 151,100.19 square metre designated for logistics and warehousing development purpose located in Urumqi, the capital city of the Uyghur Autonomous Region of Xinjiang (“**Xinjiang**”) in the PRC.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Ms. Ma is a director of certain subsidiaries of the Company while Ms. Fan is a former director of certain PRC subsidiaries of the Company. The Vendor is owned as to 60% by Ms. Ma and as to 40% by Ms. Fan as at the Latest Practicable Date, it is therefore an associate of both Ms. Ma and Ms. Fan and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, subject to reporting, announcement and approval by the Independent Shareholders at a general meeting of the Company by poll under that Chapter.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, Ms. Fan is interested in 9,476,400 Shares in the Company. Ms. Fan and her associates (if any) will be required by Rule 14A.54 of the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM to approve the SPA and the transactions contemplated under it.

Rule 14A.21 of the Listing Rules requires that the Company establish an Independent Board Committee, which comprises the Company’s independent non-executive Directors without any material interest in the Acquisition, namely, Mr. Chan Ming Sun, Jonathan, Mr. Lee Chi Hwa, Joshua and Mr. Lam Kwan Sing, to advise the Independent Shareholders on the terms of the SPA and the transactions contemplated under it.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, we are required by Rule 14A.22 of the Listing Rules to advise them on three specific issues, namely: (i) whether or not the Acquisition are on normal commercial terms, in the ordinary and usual course of business, and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; (ii) whether or not the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition and the transactions relating to it.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have performed a number of tasks which included, without limitation, (i) review of, inter alia, the Company's announcements dated 21 December 2012, 22 March 2013, 27 June 2013, 30 August 2013, 27 December 2013, 30 April 2014, 20 June 2014, 29 August 2014, 30 September 2014, 31 October 2014, 28 November 2014 and 22 January 2015, the SPA together with the Supplemental Agreements, the MOU and the Valuation Report; (ii) examination of statements, information, opinions and representations provided to us by the management of the Company in relation to, among others, the financial condition of the Company, the Group, the Target Group as well as the earnings and profit forecasts of the Project Company; (iii) consideration of, inter alia, such relevant official press releases, newspaper articles, business intelligence reports and market data available in the public domain in the assessment of the nature and prospects of logistics industry in the PRC, Xinjiang and Urumqi from our desktop research; and (iv) discussions with the management of the Company regarding the terms of the SPA, the businesses and the future outlook of the Group.

Based on the foregoing, we consider that we have taken all the reasonable steps, which are applicable to the Acquisition, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annexed notes) in forming our opinion.

All Directors collectively and individually accept full responsibility for the purpose of providing information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Acquisition and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or the management of the Company, or is misleading, untrue or inaccurate.

We have not, however, for the purpose of this exercise, conducted any independent detailed investigation, site-visit or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the date of the Circular, and we will not be held accountable for the completion or non-completion of the Acquisition and the outcome and consequences (if any) of the completion of the Acquisition, if at all.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the SPA, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists under which we shall receive any other fees or benefits from the Company.

OUR QUALIFICATIONS AND INDEPENDENCE

Pan Asia has been licensed by the Securities and Futures Commission since 1992 and is a licensed corporation engaging in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

Mr Cheung, who is the Chairman of Pan Asia and signs off on this letter, is licensed by the SFC as a Responsible Officer and a Principal licence holder of Pan Asia, and has over 20 years' experience in the financial services industry in Hong Kong. Mr Cheung holds a bachelor degree of Social Sciences, a bachelor and a master degree in laws, and is a fellow member of both the Financial Services Institute of Australasia and the Hong Kong Institute of Certified Public Accountants.

On 16 December 2013, Pan Asia was engaged to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company in respect of the current transaction.

On 28 December 2013, Pan Asia was engaged to act as the independent financial adviser to the independent board committee and the independent shareholders of the Company in a very substantial disposal and connected transaction in relation to the sale of the entire issued share capital of Winbox (BVI) Limited ("**Winbox**"), which was a wholly-owned subsidiary of the Company, to Goodwill International Holdings Limited (the "**Sale**").

We were required by Rule 14A.22 of the Listing Rules to advise the independent board committee and independent shareholders in the Sale, among others, whether or not the terms of the Sale were on normal commercial terms, were in the interests of the Company and the shareholders as a whole and were fair and reasonable as far as the Company and the independent shareholders were concerned. Details of the work leading to our recommendations were set out in the independent financial adviser letter dated 24 February 2014 contained in the relevant circular of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Sale was approved by the independent shareholders of the Company in an extraordinary general meeting on 14 March 2014.

On 24 April 2014, Pan Asia was engaged to act as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of (i) an open offer on the basis of two offer shares for one adjusted share at HK\$0.25 per offer share with bonus issue on the basis of one bonus issue for one offer share taken up under the open offer (the **“Open Offer (with the Bonus Issue)”**); (ii) the underwriting agreement; and (iii) the application for whitewash waiver.

We were required to provide the independent board committee and independent shareholders of the Company with an independent opinion on (i) whether or not the terms and conditions of the Open Offer (with the Bonus Issue), the underwriting agreement and the whitewash waiver were fair and reasonable and in the interests of the Company and the independent shareholders as a whole; and (ii) how the independent shareholders should vote in respect of the relevant resolutions relating to the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement), the underwriting agreement and the whitewash waiver at an extraordinary general meeting. Details of the work leading to our recommendations were set out in the independent financial adviser letter dated 2 July 2014 contained in the relevant circular of the Company.

An extraordinary general meeting was held on 30 July 2014 in which independent shareholders of the Company passed resolutions to approve the Open Offer (with the Bonus Issue), the underwriting agreement and the whitewash waiver.

On 14 November 2014, Pan Asia was engaged to act as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of refreshment of the general mandate (**“Refreshment”**). For details of our work regarding the Refreshment, please refer to pages 13-23 of the circular issued by the Company on 11 December 2014.

An extraordinary general meeting was held on 30 December 2014 in which independent shareholders of the Company passed a resolution to approve the Refreshment.

Notwithstanding that we were engaged in the above three engagements within two years of acting as the independent financial adviser in the current transaction, we are not associated with the Company’s directors, substantial shareholders and their associates, and we are of the view that we meet the independence guidelines as set out in Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following factors.

(1) **Background of the Acquisition**

(A) The Company and the recent financial performance of the Group

The Company was incorporated in the Cayman Islands on 30 September 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands, and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since June 2006.

The Company is an investment holding company currently focused on the development of natural gas business and the clean resources sector. The Group is also engaged in the provision of loan financing services, trading of commodities and securities investments.

Before March 2014, the Group also carried on the business of manufacturing and selling quality plastic and paper boxes for luxury consumer goods through Winbox. However, following the sale of the entire issued share capital of Winbox to Goodwill International Holdings Limited in March 2014, the Group ceased to be engaged in the packaging box business.

(i) Financial performance for the six months ended 30 September 2014

According to the Company’s interim report for the six months ended 30 September 2014 (the “**IR 2014**”), the Group recorded a profit from continuing operations of approximately HK\$1,065.7 million (2013: approximately HK\$7.7 million) for the period under review, and there was no profit from discontinued operations during this review period (2013: a profit of approximately HK\$87.6 million). As a result, the total net profit from continuing operations and discontinued operations attributable to the shareholders for the six months ended 30 September 2014 was approximately HK\$1,065.8 million (2013: approximately HK\$7.9 million). The basic and diluted profit per share from continuing operations and discontinued operations were approximately HK63.65 cents and HK53.64 cents respectively (2013: basic and diluted HK0.49 cents).

The substantial increase in profit was mainly attributable to (a) fair value gain on investments held for trading; (b) gain on disposal of available-for-sale investments; and (c) interest income derived from money lending business. In terms of (a) and (b), the Group recorded substantial other gains and losses from its continuing operations

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

resulting from the fair value gain on investments held for trading by the Group, gain on disposal of available-for-sale investments and fair value loss on derivative financial instruments. The market value of the investment portfolio of the Group appreciated, giving rise to a gain of approximately HK\$1,363.3 million (2013: loss of approximately HK\$55 million) during the period under review.

As for (c), interest income from money lending business amounted to approximately HK\$31.5 million (2013: approximately HK\$15.2 million). Interest expense of approximately HK\$8.7 million (2013: nil) was incurred for borrowings obtained solely for the Group's money lending business. The Group financed the money lending business by external and internal resources during the period under review.

(ii) Financial performance for the year ended 31 March 2014

Based on the annual report of the Group for the year ended 31 March 2014 (the "AR 2014"), the Group's financial performance for the year ended 31 March 2014 can be briefly summarised as follows.

In terms of continuing operations, the Group had (i) a revenue of approximately HK\$40.32 million which included interest income generated from lending of money to outside borrowers and service income from trading of commodities; (ii) other income of HK\$5.52 million (2013: HK\$2.76 million) representing interest income earned on bank deposits and loan receivables; and (iii) other loss of HK\$59.73 million (2013: HK\$71.91 million) from, for example, fair value losses on financial instruments and impairment loss on available-for-sale investments. After accounting for administrative expenses and finance costs, the Group recorded a loss from continuing operations at approximately HK\$106.86 million (2013: HK\$130.84 million). As regards the discontinued operations, which included the disposal of coal mine operations in Xinjiang as well as packaging business in Winbox, a profit of approximately HK\$94.41 million (2013: loss of HK\$88.49 million) was recorded.

The total net loss from continuing operations and discontinued operations attributable to the shareholders was approximately HK\$12.42 million (2013: HK\$219.33 million). The basic and diluted loss per share from continuing and discontinued operations was approximately HK0.31 cents (2013: HK5.58 cents).

(B) Reasons for entering into the Acquisition

According to the Directors, the Group has been active in seeking business opportunities to expand its business to various sectors of green resources as well as other industries that may complement the long term development plan of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With the irreversible tide of economic globalisation and the PRC's accelerated pace of integration into the world economy, businesses which can facilitate the development of sourcing, production and sales at a global scale are expected to be in high demand. An example of such business is the logistics industry which optimises allocation of resources, improves market responsiveness and product supply aging, reduces logistical costs of individual enterprise and enhances the competitiveness of the national economy. The Directors consider that the Acquisition will form part of the Group's on-going expansion strategy in Xinjiang with the aim of becoming a provider of logistics and warehousing services to enterprises in Xinjiang.

Xinjiang is rich in resources, particularly, oil, natural gas and coal making. Efforts by both the central and regional governments to develop Xinjiang's reserves of abundant resources, details of which can be found in the sub-section headed "(3) Prospects of logistics industry in China" below, to service various industries such as electrical engineering, coal-based materials will, in the view of the Directors, lead to increased demand for logistics and warehousing services.

The Target Land is situated in the Ganquanbao Industrial Park (甘泉堡工業園), forming part of the Ganquanbao Economic and Technological Development Zone (甘泉堡經濟技術開發區) (the "**Ganquanbao ETD Zone**"), which is, in turn, located in the northern part of Urumqi, the capital of Xinjiang, about 55 km from the city centre and close to Wujiaqu City (五家渠市) and Fukang City (阜康市) in Xinjiang. Located in Urumqi High-tech Development Zone, Ganquanbao (甘泉堡) is less than 30 km from international airport, with established railway and highway networks nearby. The overall planning and construction land area of the Ganquanbao ETD Zone is about 360 sq. km. and 193 sq. km. respectively, whereby the development area of the Target Land is about 151,100 sq.m. for logistics and storage use.

Since the commencement of construction of the area in 2007, various infrastructure and environmental friendly developments such as water storage, electricity, piping, sewage systems, gas, roads, telecommunications etc. have been built in Ganquanbao.

The Ganquanbao ETD Zone is principally divided into and serving seven core functional areas: namely: (a) transformation of resources with competitive advantages; (b) industrial-economic cooperation, (c) new energy, (d) high-technology, (e) logistics and warehousing, (f) environmental and ecological conservation and (g) the provision of relevant services to the core functional areas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best of knowledge, information and beliefs of the Directors, about 20 different industrial enterprises such as special variable electrical engineering (特變電工) with focus on new energy and circular economic construction projects, coal poly-generation (煤基多聯產), coal-based new materials etc. with total investment amounted to approximately RMB142 billion, will or have already moved in to the Ganquanbao ETD Zone. It is envisaged that when more enterprises moving in to the Ganquanbao ETD Zone, relevant logistics and storage services will be in demand and become necessary. On this basis, the Directors consider the Acquisition will enable the Group to further extend its business coverage in the PRC and will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

(2) Information on the Target Group

According to the Letter from the Board, the Target Company is wholly-owned by the Vendor. Incorporated in the British Virgin Islands with limited liability, the Target Company, based on the information provided by it, is an investment holding Company. The Target Company wholly owns New Style which, in turn, wholly owns the Project Company and through the latter, will hold the Target Land.

The net loss (both before and after taxation and minority interests) as shown in the unaudited consolidated profit and loss accounts attributable to the Target Group for the years ended 31 December 2012 and 2013 are as follows:–

	Year ended 31/12/2013 <i>(HK\$'000)</i>	Year ended 31/12/2012 <i>(HK\$'000)</i>
Net profit (loss) before taxation	(39)	(15)
Net profit (loss) after taxation	(39)	(15)
Net asset value	252	(25)

The Project Company proposes to develop on the Target Land logistics project having gross floor area of approximately 82,661 square metre comprising composite warehouse, composite service buildings and open storage and yard. The final floor area and construction plan are subject to adjustments and comments from the relevant PRC authorities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Project Company has entered into the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) with the Bureau of Land and Resources of Urumqi City (烏魯木齊市國土資源局) and has paid the land grant fee pursuant to the contract.

In a legal opinion dated 22 July 2014 (the “**PRC Legal Opinion**”), Guantao Law Firm (“**Guantao**”) (觀韜律師事務所), which is the Company’s PRC legal adviser in respect of the Acquisition, advised that construction works on the Target Land can commence as soon as the Land Use Rights Certificate (土地使用權證), Land Planning Permit (建設用地規劃許可證) and Planning Permit (建設工程規劃許可證) have been obtained. Guantao further advised that, in respect of the title to the Target Land, there are at present no material legal impediments against the Project Company obtaining the State owned Land Use Rights Certificate for the Target Land in compliance with the requests and procedural steps prescribed by relevant government authorities; and after obtaining the State-owned Land Use Rights Certificate, the Target Land can be transferred, leased and mortgaged. We understand from our discussions with the Company that applications for such permits are in progress. It should also be noted that the Vendor has provided additional warranties and undertakings to the Purchaser should applications for the relevant permits fail. Details of such warranties and undertakings are set out in the sub-section headed ‘(4) Principal terms of the SPA’ below.

According to the existing development plans and the SPA, the total costs of investing in the Project (the “**Total Investment Costs**”) by the Group are estimated to be approximately RMB318 million, representing the sum of (a) the projected capital expenditure of approximately RMB198 million to be incurred by the Project Company for the construction and development of the Project from 2015 to 2030, which comprises the prevailing costs of construction, installation, plants and machineries and other investment costs; and (b) the Refundable Deposit (equivalent to approximately RMB120 million) paid. During the construction stage of the Project approximately RMB187.2 million of the expected costs of capital expenditure will be incurred from 2015 to 2018.

The Company’s current plan is that the funds required for investment in the Project will be financed partly by bank loans and partly by fund raising activities in the Hong Kong equity market and/or internal cash. As at the Latest Practicable Date, no definitive terms have been decided in relation to such fund raising exercises.

Apart from the general working capital for the operation of the Group and, subject to Completion, the capital needs of the Group shall be the projected capital expenditure of approximately RMB187.2 million for the development of the Project from 2015 to 2018, in particular approximately: (a) RMB23.5 million in 2015; (b) RMB78.6 million in 2016; (c) RMB61.8 million in 2017; and (d) RMB23.3 million in 2018 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The investment costs in the Project by the Project Company shall be solely the RMB198 million to be allocated as “projected capital expenditure”, which has been included in the projection of the future cash flows of the Project Company and charged as depreciated expenses over the period from 2015 to 2030.

Based on the projection of future cash flows prepared by the Company with reference to the latest business plan of the Project Company and having made due and careful enquiries in respect of the bases and assumptions thereof, the Company believes that, barring any unforeseen circumstances, the bases and assumptions adopted in the forecast are fair and reasonable and that the Project Company will be able to achieve the expected capacity as set out in the projection of future cash flows by investing in the Total Investment Costs.

At the date of Completion, the fair value of the Land Use Rights would be recognised as prepaid lease payments and premium over prepaid lease payments, which is an intangible asset in the consolidated statement of financial position, representing the excess of the fair value of the Land Use Rights over the fair value of the prepaid lease payments. No goodwill will be recognised upon Completion as the Acquisition. Based on the accounts provided by the Target Group, the major identifiable asset(s) and liability(ies) of the Target Group is the Target Land and a shareholder’s loan in the amount of approximately HK\$19.07 million as at 31 December 2013. The Company will adopt consistent accounting policies and principal assumptions for the impairment tests of the assets and liabilities of the Target Group in accordance with HKAS 36, and such impairment test will be provided to the Company’s auditors during the interim review and/or annual audit when necessary.

(3) Prospects of logistics industry in China

We have conducted research on the logistics industry in China based on materials in the public domain, and our findings show that this industry has got tremendous growth opportunity in China. By way of example, according to the China Federation of Logistics and Purchasing, the logistics demand coefficient, which is the logistics industry’s value-to-Gross Domestic Product ratio, increased to 3.4 in 2012 from 3.0 in 2008, which is in line with the central government’s reference to the establishment of a social, professional, information-based modern logistics system in the blueprint for the 12th Five Year Plan, which was announced in March 2011.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Growth in demand for logistics service

However, despite the steady growth in the logistics sector in recent years, it is generally recognised that the sector as a whole fails to keep pace with China's economic growth because the demand for logistics service in China far outstrips its supply, for the following reasons.

First, rapid growth in domestic consumption in China caused by the government's attempt to move away from an export-driven economy has created a need to deliver more goods to a greater number of destinations.

Second, improved infrastructure, particularly in the second and third-tier cities of China's northern and western regions, has opened up new markets for retailers. For example, Western China, which includes Xinjiang, now supports over 710 billion tonne-kilometers of road freight. In time, this is expected to break up the concentration of transport and logistics companies around the Pearl River Delta, Yangtze River Delta.

Finally, there has been increased interest in industrial property development in China against a declining outlook for commercial and residential properties. Every time a new logistics facility opens, space immediately sells out. Rents for logistics space have grown at an average of five to ten percent annually over the past several years.

Recognising the need to meet the huge demand for logistics services in China, the State Council of the PRC (the "**State Council**"), after an executive meeting held on 11 June 2014, approved a concrete plan to develop the logistics industry in the middle and long term with the goal of building a modern national logistics service system by 2020.

According to a statement released by the State Council after the 11 June 2014 executive meeting, the plan aimed at lowering the operational costs of logistics enterprises and improving logistics infrastructure networks, as well as developing large-scale companies to improve the industrial chain.

A total of 12 logistics issues, including, but not limited to, services for agriculture, manufacturing, industrial material supply chain and recycling materials, would become priorities because these businesses could create more new market growth points to the industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The central government also promised to ensure land supplies and use for building logistics service facilities such as warehouses and package sorting centers, to improve the statistical system of logistics costs, and to introduce preferential financial policies for the sector.

Xinjiang's opportunity to become a logistics hub

One of the provinces/administrative regions that will benefit significantly from the State Council's decision to expand the logistics sector is Xinjiang. Situated in the middle of Eurasia, Xinjiang spans a land size of 1.66 million square kilometers, accounting for one sixth of China's total, and borders eight countries. Rich in cultural heritage and racially diverse, Xinjiang has rich endowment of resources, and boosts a relatively complete spectrum of mineral resources with sizable reserves, with oil and natural gas accounting for 30% and 34% of China's total onshore reserves respectively, and coal making up 40% of the national reserves.

With the support of the central government's 'Go West' policy, Xinjiang has built up strong infrastructure and transportation networks in recent years. In 2013, Xinjiang's Gross Domestic Product ("GDP") increased by 11% from RMB750.5 billion to RMB833 billion, public fiscal revenues went up by 24.2%, and the overall fixed asset investment rose by 30.2% year-on-year. The disposable income for urban residents grew by 10.9% while net income for rural residents rose by 14.1% year-on-year.

On 26 June 2014, the Xinjiang government outlined plans to accelerate the opening up of Xinjiang and build it into a core zone on the Silk Road Economic Belt, which idea was first floated by President Xi in his central Asia tour in September 2013 and is intended to position central China as the focal point of a large economic belt connecting China, central Asia, the Middle East and the European Union. As part of the plans, Xinjing will be transformed into a regional centre of commerce, trade and logistics by the construction and development of modern networks of commerce, trade and logistics linking up domestic and international markets, through unleashing Xinjiang's communication and transport edge over its competitors.

The focus of the Xinjiang government's plan to develop Xinjiang into a regional logistics centre is Urumqi, which is the capital of Xinjiang. Situated on the eastern part of Central Asia, Urumqi has long thrived as a trading hub along the Silk Road during the Tang and Ming dynasties. With its large coal reserves, strong transportation networks, and a burgeoning consumer class, Urumqi has since grown to become the centre of industry, retail and commerce in Western China, as well as the regional trade hub for Central Asia.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Urumqi's GDP reached RMB200.4 billion in 2012, showing an 18.5% increase since 2011. Primary industry contributed RMB2.5 billion and secondary industry contributed RMB82.9 billion. Urumqi's tertiary industry sector showed the highest growth, contributing a robust RMB115 billion to the city's overall GDP, up from RMB90.8 billion last year. In 2012, total retail sales of consumer goods were valued at RMB83 billion. The booming retail industry was a result of a shifting demand from basic necessities and general merchandise to more trendy, medium or higher grade products.

Urumqi has benefited from two development zones that have helped shape its competitive edge in industry and trade, namely, Urumqi Economic and Technological Development Zone ("**Urumqi ETDZ**") and Urumqi High-tech Industrial Development Zone ("**Urumqi HIDZ**"). The latter, which houses the Ganquanbao Industrial Park, was established in 1992 and merged with Urumqi Xinshi District nine years later for a combined land area of 263 kilometers. In 2012, the GDP of the merged Urumqi HIDZ was recorded at RMB68.65 billion, accounting for 33.3% of the city's total. The zone's major industries are information technology, biopharmaceuticals, new materials, new energy, petrochemicals, unique resources processing and machinery.

Words of caution

Despite the Xinjiang government's desire to turn Xinjiang into a business centre and logistics hub, the reignition of the long-standing friction between the Chinese authorities and the Muslim Uyghur ethnic minority by the latter's call for a separate state of East Turkestan has caused concerns among investors. Breakneck economic development has also exacerbated ethnic tensions between the Han Chinese majority and the Uyghurs as many in the Uyghur community feel that they have not benefited from the development and accuse the Han Chinese of reaping most of the spoils from business investments. The tensions have on many occasions spilled over and turned violent. In 2013 alone, for example, more than 100 people died as a result of the escalation of unrest which was described by the government as proof of a systematic and far-reaching terrorist and separatist network at work.

To allay investors' concerns, the Xinjiang government launched a year-long campaign in late May 2014 to clamp down on unrest. The government is also considering enacting anti-terrorism laws for the first time to replace the Criminal Law which has been regarded as inadequate to tackle terrorist-related crimes in Xinjiang. In an effort to defuse rising ethnic tensions, the Beijing government has promised to raise incomes, reduce poverty and increase education spending in Xinjiang.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of likely substantial growth in the logistics industry in China and bearing in mind the desire of both the central government and the regional government to develop Xinjiang into a regional commercial logistics hub as well as their determination to crack down on unrest, we concur, on balance, with the Directors' view that the Target Land may broaden the Group's revenue base, enhance and sustain its earning capabilities.

(4) Principal terms of the SPA

Subject matter

The entire issued share capital of the Target Company as well as the Shareholder's Loan.

Consideration

The Consideration comprises (i) the consideration for the Sale Shares, which will be a sum calculated by deducting face value of the Shareholder's Loan from the Consideration, and (ii) the consideration for the Shareholder's Loan. As at the Latest Practicable Date, the outstanding amount of the Shareholder's Loan was approximately HK\$19 million.

The Consideration in the sum of HK\$150 million was agreed after commercial and arm's length negotiations between the Vendor and the Purchaser taking into account various factors including, without limitation, (i) the location and valuation of the Target Land (i.e. RMB16 million); (ii) the average price of similar land in proximity to the Target Land; (iii) the strategic considerations behind the transactions contemplated including the nature of the relevant businesses of the Target Group and the future prospects of the relevant industries including general economic trends and market growth in Xinjiang; (iv) the time and efforts expended by the Target Group in applying for and obtaining the necessary approvals from the relevant authorities in relation to the Project since 2011 (see page 58 of the Circular for details); (v) the reasons and benefits of the Acquisition as set out on pages 18-20 of the Circular; and (vi) the valuation of the Land Use Rights conducted by Roma Appraisals Limited ("RAL"), an independent valuer, which was prepared on the assumption that a logistics centre will be successfully constructed and commence operations in 2018 on the Target Land.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the information available to the Group, the People's Government Office in Midong (米東區人民政府辦公室) approved the application of the Target Group in developing the logistic and storage business in Ganquanbao Industrial Park in November 2011. Subsequent to the approval, the Target Group had, among other things, engaged a company by the name of 中機十院國際工程有限公司, which may, for the purpose of identification only, be translated as ("**China Machinery TDI**"), to prepare a business plan for submission to Xinjiang government for approval of the proposed development plan of the Project, and applied for the Target Land through the "Land bid invitation, auction and listing system"(招、拍、掛) in the PRC, which is an open process of granting land use rights to bidders administered by the land bureau of the PRC local government. Under this system, the highest bidder who satisfies the terms and conditions of the grant will enter into a Contract for State-Owned Construction Land Use Right Assignment and pay the land premium for acquiring the land use rights. On 14 November 2013, the said Contract for State-Owned Construction Land Use Right Assignment was entered into by the Target Group, pursuant to which the Vendor acquired the Target Land at a price of RMB12.8 million (equivalent to approximately HK\$16 million).

Further, based on the confirmation with the regulatory unit in Ganquanbao Industrial Park, as at the Latest Practicable Date, all lands in the Park reserved for logistics use had been acquired. Any company which is interested in running logistics business in the park would need to acquire land in the secondary market. Pursuant to the valuation report of the Target Land as detailed in Appendix II in the Circular, the valuation of the Target Land as at 31 October 2014 was RMB16 million (or HK\$20 million), representing an appreciation of RMB3.2 million (or a 25% increment) from the original cost.

While the Consideration represents a relatively high premium of approximately HK\$130 million over the valuation of the Target Land at HK\$20 million (equivalent to RMB16 million) as at 31 October 2014, the Company, having considered the above factors and the special undertakings pursuant to the Second Supplemental Agreement as detailed under the sub-section headed "Special Undertakings" below, is of the view that the Consideration, on balance, is fair and reasonable and in the interests of the Group and the Company's Shareholders in the long run.

Settlement of the Consideration

According to the Letter from the Board and the Second Supplemental Agreement, the Consideration shall be fully settled by the transfer of the Refundable Deposit of HK\$150 million which had already been paid to the Vendor by the Purchaser under the MOU. The Vendor's obligation to return the Refundable Deposit will be secured by a share mortgage over the shares in the Target Company executed by the Vendor in favour of the Purchaser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Special undertakings

Pursuant to the Second Supplemental Agreement, the Vendor provided additional warranties and undertakings to the Purchaser, which are summarised below and set out in full on pages 16-18 of the Circular.

- (1) Subject to Completion as contemplated under the SPA, the Vendor guarantees to the Purchaser that the Target Company shall obtain the valid permit for commencement of the construction works on the Target Land within 18 months after the Bureau of Land and Resources of Urumqi City (烏魯木齊市國土資源局) has delivered the Target Land to the Target Company as well as obtain or make, as the case may be, the title certificate of the Target Land and any other relevant title certificates, licences, approvals, authorisations, consents, registrations and filings under PRC laws for the construction, development and use of the Target Land for logistic and warehousing development purposes by the Target Company as contemplated under the SPA.
- (2) If the Target Company fails to obtain the said permit mentioned in (1) above within the stipulated 18 months' period, and its net profit after tax for the financial year ending 31 December 2018 is below RMB25 million (the "**Guaranteed Profit**"), the Vendor will pay the Purchaser an amount equivalent to the shortfall between the actual net profit after tax and the Guaranteed Profit as compensation.
- (3) In case the valid permit for commencement of the construction works or the land title certificate or any of the requisite permits, licenses, approvals, authorisations, consents, registrations and filings referred to in (1) above is not obtained or made, as the case may be, by the Target Company by 31 December 2018, the parties agree to unwind the transaction, and the Vendor agrees and undertakes to pay RMB25 million to the Purchaser as compensation. The entire issued capital of the Target Company will then be transferred to the Vendor without consideration and the Consideration will be returned to the Purchaser.

In respect of the Guaranteed Profit of RMB25 million in the second special undertaking, this amount was determined based on the assumption that the construction on the Target Land will be completed in or around early 2018 and operations commence after that. In addition, the Company has taken into account the profit forecast of the Target Group for the year ending 31 December 2018 (approximately one year of full operation) for the amount of the Guaranteed Profit. Based on the current timetable advised by the Target Group, it is expected that the construction on the Target Land will commence in early 2015 and complete by early 2018 and full operation of the Project will start immediately thereafter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Company, the three special undertakings above were arrived at after arm's length negotiation between the Purchaser and the Vendor. When the Group obtained the preliminary valuation of the Land Use Rights in 2014, it was lower than the Group's original estimation. It is a condition precedent in the SPA (prior to amendment by the Second Supplemental Agreement) that the valuation of the Land Use Rights shall not be less than RMB200 million, which reflected the Company's original estimation. Upon further negotiations, the Purchaser and the Vendor agreed on the Consideration of HK\$150 million and the amount of the Guaranteed Profit, having considered, among others, the updated valuation of the Land Use Rights and the ability of the Target Company to generate revenue in 2018 as secured by the special undertakings.

Based on the reasons and benefits of the Acquisition as set out on pages 18-20 of the Circular, the Company took the view that, so long as the construction on the Target Land could take place within the said 18 months, the Company would be able to tap into the logistics market in Xinjiang. Hence, the Directors remain of the view that the Acquisition is in the interests of the Company and Shareholders as a whole in the long run.

Conditions precedent

Completion of the Acquisition is subject to the satisfaction of a number of condition precedents which are summarised below and set out in full on pages 14-16 of the Circular.

- (a) the Independent Shareholders have approved by poll the SPA and the transactions contemplated under it at the EGM;
- (b) the Purchaser has received a valuation report from independent international valuer in relation to the Target Land and the development thereon;
- (c) all requisite approvals, consents and authorisations required under all applicable laws and regulations in relation to the Acquisition have been duly obtained;
- (d) the Purchaser has conducted and completed due diligence on all business, technical, legal and financial matters in relation to the Target Group, and is satisfied with the results;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) the Purchaser has received a legal opinion from a firm of PRC-qualified lawyers confirming, among others, (a) the Project Company has obtained land title certificate and all permits and licenses for the construction and development of the Target Land under relevant PRC laws; and (b) all necessary approvals, authorisations, consents, registrations and filings required in relation to the proposed development on the Target Land have been made under relevant PRC laws; and (c) the Project Company has paid all the land purchase price, tax and related expenses;
- (f) the warranties contained in the SPA shall remain true and accurate in all respects as at Completion;
- (g) the Purchaser and the Vendor have agreed on the adjustment to the Consideration based on the valuation of the Target Land and development thereon of not less than HK\$150 million; and
- (h) all parties to the SPA have performed or complied with the provisions and obligations under the SPA on and prior to Completion.

Apart from above condition precedent (a), the other conditions precedent from (b) to (h) are capable of being waived by the Purchaser.

Completion shall take place on or before the seventh Business Day (or such other date as the Purchaser and the Vendor may agree) after the conditions precedent set out in the SPA have been met or waived. If, however, the conditions precedent have not met and/or waived by 30 September 2014, the Purchaser may terminate the SPA and the Refundable Deposit shall be returned to the Purchaser.

Conditions precedent (b) and (d) are, in our view, fair and reasonable as they give further assurance and higher protection to Independent Shareholders given the size of the Target Land, the amount of investment in the Project and the consideration agreed between the parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to condition precedent (g), the parties have agreed that, pursuant to the Second Supplemental Agreement dated 20 June 2014, the Consideration would be in the sum of HK\$150 million, which amount was decided after commercial and arm's length negotiations between the Vendor and the Purchaser taking into account various factors including the location of the Target Land, the average price of similar land in proximity to the Target Land, the strategic rationale behind the transactions contemplated, the nature of the relevant businesses of the Target Group, future prospects of the relevant industries including general economic trends and market growth in Xinjiang. According to the Company, no further adjustment to the Consideration would be made. As will be shown in the next two sections headed "(5) Evaluation of the Consideration" and "(6) Expected financial impact of the Acquisition on the Group", we are of the view that the Consideration of HK\$150 million is, on balance, fair and reasonable.

In respect of the remaining conditions precedent (c), (d), (f) and (h), it should be noted that conditions precedent akin to them can be found in other sale and purchase agreements for similar acquisitions, and are subject to waiver. Given the widespread use of such conditions precedent in sale and purchase agreements, there are no questions about conditions precedent (c), (d), (f) and (h) being unfair and unreasonable, and not in the interests of the Company and Shareholders.

For these reasons and bearing in mind the Company's assurance that it currently has no intention to waive any of the above conditions precedent (b) to (h), we are satisfied, on balance, that the conditions precedent set out on pages 14-16 of the Circular are fair and reasonable and in the interests of the Company and the Shareholders.

(5) Evaluation of the Consideration

On 27 June 2013, the Vendor and the Purchaser entered into the SPA for acquiring the entire issued capital of the Target Company at a consideration of not more than HK\$300 million (subject to downward adjustments). Based on the Second Supplemental Agreement dated 20 June 2014, the Consideration is now capped at HK\$150 million which represents the combined consideration for the Sale Shares and the Shareholder's Loan of approximately HK\$19 million.

Upon Completion, the Target Company and the Project Company, which is one of the Target Company's indirectly wholly-owned subsidiaries, will be accounted for as wholly-owned subsidiaries of the Company. The Target Land, which is the principal asset of the Project Company, will be stated at fair value with reference to the valuation performed by RAL on the Land Use Rights of the Project Company as at 31 October 2014, and recorded as non-current assets in the Company's consolidated financial statements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Valuation Report was prepared by RAL using income-based approach with reference to the projected future cash flows of the Project Company from 2015 to 2030. As it is, the Valuation Report constituted a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules. Details of the principal assumptions, including commercial assumptions upon which the Profit Forecast is based are set out in Appendix I to the Circular. RAL also conducted a valuation of the Target Land in accordance with the requirements of the Hong Kong Institute of Surveyors (the “**HKIS**”) Valuation Standards (2012 Edition). This report is attached in Appendix II.

We note that it is common market practice in Hong Kong to employ two methods to assess the fairness and reasonableness of the consideration for an acquisition of equity interest in a target company similar to the Acquisition, namely, (i) comparable company analysis; and (ii) comparison between consideration and valuation. For the following reasons, we have chosen the second method over the first method for our evaluation of the Consideration.

(A) Comparable company analysis

Under this method, a number of companies are selected for comparison based on certain criteria such as: (i) the comparable companies are listed on the Stock Exchange; and (ii) the principal business activities of the comparable companies are similar to those of the target company.

After compiling an exhaustive list of comparable companies on a best-effort basis, the price-to-earnings ratio (the “**P/E ratio**”) and price-to-book ratio (the “**P/B ratio**”) of each of the comparable companies will be calculated and tabulated into two separate ranges. If the target company’s P/E ratio and P/B ratio as implied by the consideration falls within the respective range, the consideration is likely to be regarded as fair and reasonable.

Even if the target company is not listed on the Stock Exchange, comparable analysis can still be performed by deriving implied P/E ratio and implied P/B ratio for the target company. An implied P/E ratio is calculated based on the amount of the consideration divided by the target company’s net profit after taxation for the financial year as discounted by the equity interest to be acquired in the target company. The method to derive the implied P/B ratio, on the other hand, is almost the same as that of the implied P/E ratio except that the target company’s net profit after taxation is substituted by its net asset value.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

However, the efficacy of the implied P/E ratio and the implied P/B ratio for comparable company analysis is premised on the fact that the target company has been engaged in similar business activities as those of the comparable companies; if not, no meaningful comparison can be made. Given that the Project Company is yet to carry out any logistics-related business activities, and would only commence its business operations in 2018, we have decided not to use comparable company analysis to assess the fairness and reasonableness of the Consideration.

(B) Comparison between consideration and valuation

As to the second method, we have compared the Consideration to the RAL's valuation of the Land Use Rights of the Project Company as at 31 October 2014. It is stated in Appendix I that the market value of the Land Use Rights is HK\$160 million. Since the revised Consideration is HK\$150 million, it therefore represents a discount of approximately 6.25% to the market value of the Land Use Rights.

According to RAL, there are generally three accepted approaches to obtain the market value of the Land Use Rights, namely, the market-based approach, the income-based approach and the asset-based approach (also known as the cost-based approach). The decision to adopt a particular approach is based on the most commonly adopted practice in valuing assets that are similar in nature.

In brief, the market-based approach values an asset by comparing prices at which other assets of similar nature changed hands in arm's length transactions. The income-based approach, on the other hand, focuses on the economic benefits derived from the income producing capability of the asset. Finally, the asset-based approach values an asset by aggregating the costs of developing the asset to its current condition, or replacing that asset.

In determining which approach it should adopt to value the Land Use Rights, RAL took into account the uniqueness of the Project Company's operation and the nature of the logistics industry in China in which the Project Company is proposed to be engaged. In the end, RAL opted for the income-based approach.

In response to our inquiry on its choice of the income-based approach as the basis of the valuation, RAL explained that the market-based approach had not been adopted in this case because it had not noticed any comparable transactions in respect of land and buildings which have been used for logistics and storage purpose. The asset-based approach had also been rejected as it could not capture the future earning potential and thus true market value of the Land Use Rights.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Income-based approach

We understand that income-based approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the Target Land. In this connection, the income-based approach estimates the future economic benefits of the Target Land and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

Under the income approach, the discount cash flow (“**DCF**”) method was adopted. In applying the DCF method, the free cash flows for each year in the future were determined. The results were then discounted using a discount rate to determine the present value of the free cash flows. This discount rate is referred to as the weighted average cost of capital (“**WACC**”), which is the minimum required return that the Project Company must earn to satisfy its various capital providers including shareholders and debt holders and is calculated by multiplying the cost of each source of capital by its proportional weight.

We note from the Valuation Report that the cost of equity was developed through the application of the Capital Asset Pricing Model (“**CAPM**”), which indicates the relationship between risk and expected return that investors require additional return to compensate for the additional risk assumed.

In calculating the cost of equity of 22.11%, RAL adopted (i) the risk free rate of return of 3.83%, which was the yield of the PRC government’s 10-year note on 31 October 2014; (ii) the market risk premium of 10.52%, which was the difference between the market expected rate of return of 14.35% (being the market return in the PRC’s stock market as at 31 October 2014) and the risk free rate of return adopted; (iii) the beta coefficient of 1.0, which was the median of the adjusted beta of the six comparable companies which RAL had chosen on the ground that (a) these companies are principally engaged in logistics-related businesses in China, such as loading, unloading and storage services, (b) they have sufficient listing and operating histories, and (c) their financial information is available to the public. The six comparable companies were Shenzhen Chiwan Wharf Holdings Limited (stock code: 200022.CH), Yingkou Port Liability Company Limited (stock code: 600317.CH), Tianjin Port Company Limited (stock code: 600717.CH), Jiangsu Lianyungang Port Company Limited (stock code: 601008.CH), Zhangjiagang Free-trade Science and Technology Company Limited (stock code: 600794.CH) and Jinzhou Port Company Limited (stock code: 900952.CH); and (iv) firm specific risk premium of 4%, which reflected the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

unsystematic risk specific to the Project Company including the start-up risk of the Project Company and the intensity of the future competition in the logistics industry in China to which the Project Company will be subject.

The cost of debt of 15%, on the other hand, was determined by the expected borrowing rate of the Project Company. Given that the interest paid on debts are tax-deductible, the cost of obtaining debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt of 11.25% was calculated by multiplying one minus the corporate tax rate of 25% in the PRC by the cost of debt of 15%.

The weight of equity of 78.06% was derived from the median debt-to-equity ratio of the six comparable companies, which was referred to earlier, as at the date of valuation as extracted from Bloomberg. Therefore, the weight of debt of 21.94% was calculated as one minus the weight of equity.

Based on the above calculations, the WACC was found to be 19.73% and used to discount the streams of future cash flows between 2015 and 2030 as provided by the Company. In the end, RAL came to the view that the market value of the Land Use Rights was HK\$160 million.

To complete its analysis of the market value of the Land Use Rights, RAL conducted two sensitivity analyses, the results of which are set forth on page 90 of the Circular. The first sensitivity analysis was conducted to determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions. Specifically, RAL carried out a sensitivity analysis on the market value of the Land Use Rights in respect of 1% and 2% deviation from the WACC, which resulted in a market value of the Land Use Rights ranging from HK\$116 million to HK\$216 million.

The second sensitivity analysis, on the other hand, was performed on the market value of the Land Use Rights by delaying the construction work as well as the commencement date of Project Company's operations by one year, which gave a lower market value of HK\$156 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our observation on the value of the Land Use Rights

It is noted that the valuation of the Target Land in Appendix II of the Circular was only RMB16 million, which differs significantly from the valuation figure of RMB160 million in Appendix I. Questions may arise as to (i) why the two valuation figures differ so significantly as both sets of valuation were carried out in respect of the Target Land; and (ii) whether or not it is fair and reasonable to the Company and its shareholders that the purchase of the Project Company should be at a much higher consideration given that a lower valuation of the Target Land at RMB16 million is available.

In respect of the first question, RAL indicates that the valuation of the Land Use Rights in Appendix I reflects the market value of the rights to develop the Target Land into a company which provides logistics and warehousing services. It was estimated by reference to the financial forecasts of the potential project to be established on the Target Land, and it represents an intangible asset in which the calculations were prepared in accordance with the Hong Kong Accounting Standard 38 – Intangible Assets.

On the other hand, the valuation of the Target Land as set out in Appendix II was prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by the HKIS, which may not reflect the entire economic benefits from the right to use the Target Land based on the financial forecasts for logistic and storage purpose.

It is worth noting that in compiling the valuation report in Appendix II, RAL had not carried out, among others, any “investigation on site to determine the suitability of the ground conditions and the service etc. *for any future development*” (our emphasis). Given that the Valuation Report in Appendix I took into account the market value of the rights to develop the Target Land, which was not included in the valuation report in Appendix II, it would not come as a surprise that the two valuation figures differ markedly.

For the reasons below, we share the Company’s view that notwithstanding that the Consideration represents a relatively higher premium over the valuation of the Target Land, the Acquisition is fair and reasonable to the Company and its shareholders in the long run because the benefits of the Acquisition are likely to outweigh the costs incurred.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

First, the Company has set out on pages 12-14 of the Circular the factors leading to its acceptance of the Consideration, which represents a relatively high premium over the valuation of the Target Land, as being fair and reasonable and in the interests of the Company and its shareholders in the long run. While it is difficult to quantify each of the factors cited by the Company, we note in particular two of such factors: (i) the time and effort spent by the Project Company to apply for and obtain necessary regulatory approvals for the Project, which, as per the PRC Legal Opinion, could be a complicated and long drawn out process; and (ii) the first mover advantage and the rewards from tapping into (a) an emerging industry sector officially endorsed for further growth by the Chinese government (b) in a region in China officially earmarked for development by the PRC government.

In respect of the time and effort spent by the Project Company to put the Project into operation, we had made inquiries with the Company and were provided with a summary, together with supporting documents, (the “**Documentation**”) showing the efforts expended by the Vendor in obtaining the Target Land. While the Vendor had purchased the Target Land in November 2013, our review of the Documentation showed that the Vendor had started the whole process in November 2011 and had to solicit approvals of the Project from various government agencies in the PRC in a period of approximately two years leading to the signing of the sale and purchase contract (No.: 65010920130042) with the Bureau of Land and Resources of Urumqi City for the Target Land at a cost of RMB12.8 million. The contents of the Documentation are corroborated by the PRC Legal Opinion, which we have reviewed. According to Guantao, the Company's PRC legal adviser, the Project Company's applications for the remaining licences/approvals necessary for the Project to commence operation in 2018 are ongoing.

While we agree that the various licences/approvals which the Project Company has applied for are not exclusive to it by nature, we also share the Company's view that the time and effort expended by the Project Company over a period of at least four years to get the Project up and running should also be taken account of in the consideration of the reasonableness of the Consideration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Second, based on the projected future cash flows of the Project Company from 2018 to 2022, whose key assumptions are set out on pages 91-92 of the Circular, the Company's projected investment costs of approximately RMB198 million (the Refundable Deposit of HK\$150 million has already been paid and accounted for) is likely to be recouped in approximately 5 years' time starting from 2018 when the Project Company is scheduled to start operations. Taking note of the Company's acceptance of those assumptions, barring unforeseen circumstances, as fair and reasonable, we have not received, nor are we aware of, material evidence to challenge the assumptions and results of the projected future cash flows of the Project Company.

Third, it is also worth remembering that the Vendor has given three special undertakings to the Company by which the Company's interests are further protected in this transaction. For example, as per the third special undertaking referred to before, if the Target Company, among others, fails to obtain a valid permit for commencement of the construction works on the Target Land or other requisite permits, title certificates by 31 December 2018, the Vendor will pay RMB25 million to the Company as compensation upon being served with a written notice by the Purchaser within seven business days of such failure. The parties will unwind the transaction and the Consideration will be returned to the Company.

Our research on valuation approaches

We have conducted desktop research on RAL's choice of approach in valuing the Land Use Rights by consulting the works of a noted authority on valuation matters.

The income-based approach, which is often referred to as the discounted cash flow (the "DCF" approach), relates the value of an asset/business to its intrinsic base. This approach uses the company's expected future cash flows discounted to present value to determine the value of the business. According to the noted authority, no distinction should be drawn between negative and positive cash flows under the DCF approach, and young, start-up companies that generates negative cash flows in the first few years can still be valued using discounted cash flow models. Accordingly, we agree that the proper treatment of the costs in investing in the Project in the present case is to discount them by the WACC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The market-based approach, on the other hand, uses sales transactions of similar companies to determine the value of a business. In contrast to valuing a business as a going concern (based on cash flows) or by looking at how other similar businesses are priced, one may value a business by valuing its assets, which is the asset-based approach.

Each of these three valuation approaches has its own advantages and disadvantages. The choice of a particular approach to value a business will depend upon a number of factors, including, without limitation, (i) how marketable its assets are (the “**marketability test**”); (ii) whether or not it generates cash flows (the “**cash flow test**”); (iii) how long the time horizon is (the “**time horizon test**”); and (iv) whether or not comparables exist (the “**comparables test**”).

Asset-based approach vs income-based approach

The benefit of the income-based approach is that it can vary the specific factors that influence investors’ cash flow expectations for the company and isolate the impact of an event on those expectations. However, since this approach is an attempt to estimate the asset/business’s intrinsic value, it requires more explicit inputs and information than other valuation approaches, and these inputs and information are subject to manipulation by an analyst to provide a conclusion he or she wants.

Insofar as the asset-based approach is concerned, RAL mentioned and we agree that there are at least two ways in which the analyst can value a firm using this approach. One is liquidation value – where the analyst considers what the market will be willing to pay for its assets if the assets were sold today. The other is replacement cost – where the analyst evaluates how much it would cost him to replicate or replace the assets that a firm has in place today.

Liquidation valuation and replacement cost valuation are easiest to be obtained for firms which have a mature business as well as separable and marketable assets. However, one can easily see why the liquidation or replacement cost value of a high growth business may bear little resemblance to its true value. Unlike assets in place, growth assets such as those embedded in the Land Use Rights cannot be easily identified or sold. As a result, the asset-based approach is unlikely to be able to fully capture the future earning potential, hence true market value of the Land Use Rights in this case.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, DCF valuation takes a long term perspective, for it considers a firm as a going concern that may last into perpetuity. On the other hand, with liquidation valuation, the analyst is estimating value on the assumption that the firm will cease operations today. Here, the Project is estimated to have a relatively long time horizon of 15 years (from 2014 to 2030), so it can be argued that the analyst should be using discounted cash flow valuation instead of asset-based valuation to value the Project.

Market-based approach vs income-based approach

In terms of market-based approach of valuation, the value of an asset is derived from the pricing of comparable assets, standardised using a common variable such as earnings, cash flows, book value or revenues. This approach works best in terms of assets which generate little or no cash flows.

However, the usefulness of this valuation approach is weakened in this case by (i) the lack of comparable transactions in respect of land and buildings which have been used for logistics and storage purpose. All of the six companies identified by RAL for comparison with the Project Company have been listed in the PRC and engaged in operating ports and port-related business activities, which may not lend themselves to ready comparison with the Project Company and its proposed logistics and storage business; and (ii) the Project is estimated to generate positive cash flows from operations starting from 2018. As a result, we have doubts over on the usefulness of the market-based approach to value the Target Land in this case.

RAL's sensitivity analysis

In order to evaluate the effect of changes in the Project Company's WACC of 19.73% on the market value of the Land Use Rights, RAL has assumed that the optimistic value represents a 1-2% decrease in the WACC and the pessimistic value represents a 1-2% increase in the WACC.

As can be seen from the table on page 90 of the Circular, a relatively small percentage change in the Project Company's WACC has a large effect on the market value of the Target Land. For instance, in terms of the optimistic value, a 1% decrease in the WACC leads to a 16.9% rise in the market value from HK\$160 million to HK\$187 million. A 2% decrease in the WACC results in an increase in the market value to HK\$216 million, representing a rise of 35%. In addition, insofar as the pessimistic value is concerned, a 1% increase in the WACC leads to a drop of 14.4% (i.e., HK\$137 million) in the market value while a 2% rise in the WACC results in a 27.5% fall in the market value (i.e., HK\$116 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The sensitivity analysis has shown that the income-based approach is vulnerable to changes in the underlying assumptions. Small changes in the WACC in this context cause large variances in the market value of the Land Use Rights. It is thus easy to manipulate the DCF analysis to result in the value that the analyst wants it to result in by adjusting the inputs. Nevertheless, the DCF analysis is a good tool to be used to analyse what assumptions and conditions have to be fulfilled in order to reach a certain company value provided that special precaution is put on the validity of the underlying assumptions.

To conclude, each of the three valuation approaches has its own pros and cons. The choice of a particular approach to value a business, as mentioned before, depends upon its ability to meet the four tests, namely, the marketability test, the cash flow test, the time horizon test and the comparables test.

Using these tests as a benchmark, it is noted that the asset-based approach fails the marketability test while the market-based approach cannot meet the comparables test and the cash flow test. Both approaches are useful for valuing projects that have a comparatively shorter time horizon which is not the case with the Project Company, hence both of them are unable to cross the time horizon hurdle. Insofar as the DCF approach is concerned, it is understood that while this approach is only as good as its input assumptions and its valuation figures may therefore fluctuate, it is based on an asset's fundamentals, hence the least exposed to market moods and perceptions. It works best for firms that (a) derive their value from their capacity to generate future cash flows which can be estimated with some reliability (i.e., the cash flow test); and (b) enjoy a longer time horizon (i.e. the time horizon test). In the present case, the Project Company meets both tests. Moreover, we have no evidence that the inputs into the model such as cash flow forecasts and WACC are wide of the mark, hence pass the marketability test.

Having said that, we accept that each of the asset-based and market-based approaches has its own value. It would be useful if one could borrow the best features of the three approaches and form a combined valuation approach. However, the combined approach may not necessarily work in the present context because each of these approaches has its differences, some of which may be irreconcilable such as the time horizon issue and cash flow generation issue. As a result, the value of a combined approach may not be all that evident. For these reasons, we concur with RAL that the income-based approach, which is able to meet three of the above four tests, is, on balance, the preferred approach to be used in valuing the Land Use Rights.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Major assumptions

RAL has adopted a number of specific assumptions in the valuation of the Land Use Rights, which were set out in full in Appendix I of the Circular, some of which are summarised out below:

- Based on the Project Company's latest business plan (the "**Business Plan**") provided by the Company, the construction works on the Target Land would take place between 2016 and 2017, and the Project Company would commence its operations starting from 2018.
- Projections of the future cash flows of the Project Company, which were provided by the Company, are reasonable, reflecting market conditions and economic fundamentals, and would materialise.
- The Project Company had no material non-operating assets and liabilities, no bad debts and no borrowings as at 31 December 2013.
- All relevant legal approvals and business certificates or licenses necessary for the Project Company to carry out its business activities would be obtained and renewed upon expiry.

The other assumptions adopted by RAL included: (i) the projections outlined in the financial information provided by Company's management are reasonable and reflect market conditions and economic fundamentals; (ii) there will be sufficient supply of technical staff in the industry in which the Project Company operates, and competent staff will be retained to support the Project Company's operations; and (iii) there will be no major change in (a) the current PRC's taxation regime; (b) the political, economical or financial conditions in Urumqi and Xinjiang; and (c) the current interest rates and exchange rates.

Should there be any material deviations from the above bases and assumptions, the Group's business operation and profitability may be adversely affected. For details, see the section headed "Risk Factors" on pages 7-9 of the Circular.

Our opinion

In respect of the first assumption in relation to the Business Plan provided by the Company to RAL, the Company confirmed that the Business Plan had been adapted from the business plan prepared by China Machinery TDI. According to the Company, China Machinery TDI was established in 1958 and has restructured from the Tenth Design and Research Institute of Machinery Industry (機械工業部第十設計研究院) since 2005. Its head office is in Beijing with branch offices in Shanghai, Shenzhen, Hefei, Zhongshan, Zhengzhou, Xi'an, Wulumuqi and Qingdao.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

China Machinery TDI is a comprehensive class-A design and research unit under Central Enterprise Group (中央大型企業集團). It holds state-issued class-A certificates for machinery engineering design, architectural engineering design, project management and general contracting, engineering consulting, project supervision, project cost, environmental pollution prevention and control. It holds class-B design certificates for urban planning, light industry, food processing, commercial grain, civil air defense, and municipal engineering.

It also has design certificates for pressure container and pressure pipe. It has operational rights for foreign engineering consultation, design, supervision and labor output. It has been certificated for QMS, EMS and OHSAS quality system.

The Company also confirmed with the Target Company that the main reason for engaging China Machinery TDI was that it has the necessary qualifications for preparing business plans which can meet requirements of various PRC government authorities.

We reviewed the Business Plan and the PRC Legal Opinion to ascertain the basis of the first assumption. According to the Business Plan, the Project Company has scheduled a period of 20 months from September 2014 to May 2016 to complete the construction phase of the Project. The PRC Legal Opinion also pointed out that as per clause 16 of the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) (number: 65010920130042), the Project Company is required to commence the construction works before 1 June 2014 and complete the process by 1 October 2016 (the “**Period**”). Subject to obtaining prior consent from the Bureau of Land and Resources of Urumqi City, the construction works may be delayed for a year at most.

If the Company is unable to commence construction works before the start of the Period but fail to obtain deferment, clause 33 requires the Company to pay the Vendor a monetary penalty equivalent to 1% of the Consideration on a daily basis. Clause 32 further provides that should the Company leave the site vacant for over one year but less than two years after the end of the Period, the Company has to pay a pecuniary penalty on vacant possession. Moreover, the Vendor is allowed to reclaim the site without any compensation paid to the Company if the site is left vacant without any construction works being performed for over two years after the end of the Period. In addition, the Project’s estimated operating budget, which has been provided by the Company, has also earmarked the year 2018 as the period in which operations of the Project Company would commence. Given that the Company will be subject to the above penalties under clauses 32 and 33, we agree that there is sufficient basis to the first assumption.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As regards the second assumption on projected cash flows provided by the Company, the following key inputs to the assumption with reference to the Business Plan were used.

(a) Revenue

The Project Company is expected to commence operations in 2018. The revenue streams would include income derived from storage (ordinary goods storage and shelf storage), transportation, loading and parking. They were projected by the management based on the expected capacity of the Project Company, expected occupancy rate and recent market unit rate. For each revenue stream, the expected capacity was based on the construction proposal and proposed layout set out in the Business Plan.

Storage income

In deriving the estimated storage income, the management of the Project Company estimated that the usage of the storage area will be divided into two types: (1) indoor area, comprising (a) shelf storage (20%), (b) ordinary goods storage (70%) and (c) aisle area (10%); and (2) outdoor area, comprising (a) ordinary goods storage (70%) and green areas, footpath and roads (30%).

Since the Project Company will commence operations in early 2018 and is likely to devote much of the time to setting up and marketing activity initially, the occupancy rate of the storage area was conservatively estimated to be 10% during the first year of full operation and increase each year and reach 80% in 2021 and remain at 80% thereafter.

In terms of unit rate per day charged for storage, it was estimated by China Machinery TDI based on its market researches with reference to charges by major companies in Xinjiang engaged in similar lines of businesses. The unit rate was also assumed to grow at 3% per annum with reference to the long-term inflation rate in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Transportation income

The forecast on transportation income was made by reference to the Transport Department of Xinjiang (新疆維吾爾自治區交通運輸廳). The aggregate road transportation volume in Xinjiang in 2011, 2012 and 2013 was approximately 465 million tons, 519 million tons and 596 million tons respectively, representing a year-on-year increase of approximately 11.4%, 11.8% and 14.6% respectively. Hence, an annual growth rate of 10% was adopted.

In terms of revenue deriving from transportation income, based on the management's estimate, the Target Group is expected to achieve 0.1% of the total market share in road transportation volume in 2018 and by 2023 to achieve 1% of the total market share. With reference to the market, a fixed service fee of an average of RMB10 per ton of goods would be charged per ton with an estimated annual growth rate of 3% with reference to the long-term inflation rate in the PRC. The service fee was arrived at on the basis that the Target Group would principally engage third parties as individual drivers for the transportation of goods, which basis is commonly adopted by enterprises or other logistics companies in Xinjiang. The fixed service fee represented the difference between the costs of engaging the drivers and the service charge to customers.

Parking income

To the best of information, knowledge and belief of the Board and based on the information provided by the Target Group, there is no sizeable parking lot around the logistics park. Hence, the Target Group will lay out a parking area with a capacity of parking of 300 large vehicles for self-use and rental. Parking fee of RMB10 per day is adopted with reference to the market rate in the region, with an annual growth rate of 3% with reference to the long-term inflation rate in the PRC.

Loading income

This item represents the loading and unloading services to be provided to customers. An average service fee of RMB15 per ton was used with reference to the market rate in the region with reference to the long-term inflation rate in the PRC. The occupancy rate was in line with the basis adopted in deriving the transportation income.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table illustrates a 5-year revenue projection of the Project Company starting from 2018:

For the Year-Ended December	2018	2019	2020	2021	2022
Expected Capacity (m^3)	50,322	50,322	50,322	50,322	50,322
Expected Occupancy Rate	10%	30%	50%	70%	80%
Unit Rate Per Day (RMB/ m^3)	0.50	0.52	0.53	0.55	0.56
Number of Working Days Per Year	365	365	365	365	365
Ordinary Goods Storage Income (RMB'000)	918	2,838	4,872	7,025	8,269
Expected Capacity (m^3)	32,940	32,940	32,940	32,940	32,940
Expected Occupancy Rate	10%	30%	50%	70%	80%
Unit Rate Per Day (RMB/ m^3)	0.70	0.72	0.74	0.76	0.79
Number of Working Days Per Year	365	365	365	365	365
Shelf Storage Income (RMB'000)	842	2,601	4,464	6,438	7,578
Total Storage Income (RMB'000)	1,760	5,438	9,336	13,462	15,847
Expected Capacity (thousand ton)	920	3,037	5,568	8,575	12,128
Unit Rate (RMB/ton)	10.00	10.30	10.61	10.93	11.26
Transportation Income (RMB'000)	9,204	31,284	59,075	93,705	136,501
Expected Capacity (thousand ton)	2,198	2,198	2,198	2,198	2,198
Expected Occupancy Rate	10%	30%	50%	70%	80%
Unit Rate (RMB/ton)	15.00	15.45	15.91	16.39	16.88
Loading Income (RMB'000)	3,297	10,188	17,490	25,220	29,688

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the Year-Ended December	2018	2019	2020	2021	2022
Expected Capacity	300	300	300	300	300
Unit Rate Per Day (RMB)	10.00	10.30	10.61	10.93	11.26
Number of Parking Days Per Year	300	300	300	300	300
Parking Income (RMB'000)	900	927	955	983	1,013
Total Revenue (RMB'000)	15,161	47,838	86,856	133,371	183,049

Note: Numbers may not add up due to rounding.

In inquiring with the Company as to the bases and assumptions of the income projections included in the Business Plan, the Company confirmed to us that while the income projections included in the Business Plan were without the support of specific signed contracts, they were based on its perceptions of the current market conditions in China as well as the generally positive outlook of the logistics industry in Xinjiang. On such bases, for example, the expected initial occupancy rate of 10% in the first year of operation and an average year-on-year increase of at least 2 times were, in its view, not overly ambitious.

In addition, we reviewed a number of official publications (i) on the outlook of the economic situation in Xinjiang and Urumqi issued by the Xinjiang government on its website as well as a statutory trade-related body in Hong Kong; and (ii) on the outlook of the logistics industry in China and Xinjiang including, a research report released in August 2013 by a Hong Kong-based think tank, and an analyst report issued by research department of a Hong Kong-based regional brokerage house in July 2014.

The key findings from our review may be briefly summarised as follows:

- Based on data from the China Federation of Logistics and Purchasing, China's logistics costs reached 17.9% of GDP in 2013, which was 9.5% higher than the average for developed countries like the US and Germany. The drive to lower logistics costs will continue, advancement of logistics technology and the improvement in infrastructure network to further stimulate the demand for logistics services, translating into numerous business opportunities for logistics providers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- According to the analyst report, there are several key drivers underpinning solid logistics demand in China which include: (i) growth in volume of e-commerce; (ii) manufacturers relocating their production bases; (iii) increase in enterprise outsourcing; (iv) a rise in demand for value-added services translating into more profit opportunities; (v) upgrading of logistics facilities enhancing units; and (vi) more favourable government policies creating a more positive operating environment.

Based on the findings set out above, which should be read in conjunction with the sub-section headed “Xinjiang’s opportunity to become a logistics hub” on pages 45-46 of the Circular, we are, on balance, in broad agreement with the Company’s views that the income projections as stated in the Business Plan, while subject to external factors beyond the control of the Company and the Project Company, are not overly aggressive, hence are potentially achievable.

(b) Operating Expenses

The operating expenses consist of business tax and surcharges, electricity expenses, water expenses, warming expenses, repair and maintenance, salary and allowances, and administrative expenses.

The business tax and surcharges include business tax, urban maintenance and construction tax, and educational surtax. As advised by China Machinery TDI, the business tax was 5% of total revenue, the urban maintenance and construction tax was 7% of the business tax, and the educational surtax was 3% of the business tax.

The annual electricity, water and warming expenses were estimated based on the annual expected usages and local unit costs. The annual expected usages and local unit costs were sourced from the Business Plan. The local unit costs were assumed to grow at 3% each year with reference to the long-term inflation rate in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Business Plan, the repair and maintenance expense was estimated based on 10% of the depreciation expense in the corresponding year, with a 3% cost growth each year in line with the long-term inflation rate in the PRC.

The salary and allowances were estimated based on the labor force required for the operations of the Project Company and local market payrolls with reference to the Business Plan. The local market payrolls were assumed to grow at 3% each year with reference to the long-term inflation rate in the PRC.

The administrative expenses were estimated to be 5% of the total revenue in the corresponding year, based on the Business Plan. The administrative expenses included telephone expenses, office expenses, travelling expenses and etc.

The following table illustrates a 5-year operating expense projection of the Project Company starting from 2018:

For the Year-Ended December	2018	2019	2020	2021	2022
Business Tax and Surcharges (RMB'000)	834	2,631	4,777	7,335	10,068
Electricity Expense (RMB'000)	64	197	339	488	575
Water Expense (RMB'000)	15	48	82	118	139
Warming Expense (RMB'000)	159	493	846	1,220	1,436
Repair and Maintenance (RMB'000)	104	342	590	855	1,011
Salary and Allowances (RMB'000)	953	2,944	5,053	7,287	8,578
Administrative Expense (RMB'000)	1,516	4,784	8,686	13,337	18,305
Total Operating Expenses (RMB'000)	3,645	11,438	20,372	30,639	40,110

Note: Numbers may not add up due to rounding.

(c) Depreciation Expense

The depreciation expenses were estimated by the straight-line depreciation of the projected capital expenditure with a useful life of 20 years, based on the Business Plan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table illustrates a 5-year depreciation expense projection of the Project Company starting from 2018:

For the Year-Ended December	2018	2019	2020	2021	2022
Depreciation Expense (RMB'000)	9,550	10,155	10,202	10,249	10,296

(d) Income tax expenses

The incomes tax expenses were estimated based on the corporate tax rate of China of 25%.

(e) Net profit

The net profit each year is estimated by on revenue less operating expenses, depreciation expenses and income tax expenses in the corresponding year.

For the purpose of ascertaining the basis of RAL's second assumption, we have reviewed the bases and assumptions of the projected cash flows of the Project Company for a five year period between 2018 and 2022, and are satisfied with the results. We noted, as a start, that the projection of the Project Company's future cash flows for this 5-year period had been extracted from the Business Plan which, in turn, had been adapted from the business plan prepared by China Machinery TDI. As said before, China Machinery TDI is adept in preparing business plans for submission to the PRC authorities, and we have received no evidence to challenge the bases and assumptions used in the Business Plan.

We compiled the net profit margins of the six PRC companies used by RAL to determine the WACC in Appendix I. The net profit margins of the six companies were calculated based on the figures in their respective annual reports for the year ended 31 December 2013, and ranged from 6% (Tianjin Port Co., Ltd, stock code: 600717.CH) to 45% (Zhangjiagang Freetrade Science and Technology Co., Ltd, stock code: 600794CH). We then computed the average net profit margin of the Project Company between 2017 and 2021 by averaging out the net profit margins for each year. The average profit margin of the Project Company for this 5-year period was approximately 40%, and noted that it came within the range of comparable companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As regards the fairness and reasonableness of the third assumption on the Project Company's assets and liabilities, we have reviewed the audited accounts of the Project Company for the year ended 31 December 2013 and found no evidence to contradict this assumption. In relation to the fourth assumption on obtaining the necessary authorisations and permits, this has been provided for in the special takings given by the Vendor to the Purchaser together with the Guaranteed Profit in case the authorisations and permits are not granted within 18 months after the Bureau of Land and Resources of Urumqi City (烏魯木齊市國土資源局) has delivered the Target Land to the Target Company. As all parties have agreed on and accepted the special undertakings, there is again no basis to challenge this assumption.

In addition to the above four assumptions, we are of the view that the assumption on no major change in the political and social conditions in Xinjiang is particularly vulnerable to attack as any rise in the ethnic tension in Xinjiang will affect the business operations of the Project Company significantly, resulting in a substantial downward trend in the projected revenue and upward trend in operating expenses. The magnitude of the change on the valuation results, however, is hard to quantify given that the level of ethnic and social discontent among the Uyghur minority in Xinjiang cannot be measured with any precision.

(6) Expected financial impact of the Acquisition on the Group

Earnings

Upon Completion, the Company will hold the entire issued share capital of the Target Company, and both the Target Company and the Project Company will become indirect wholly-owned subsidiaries of the Company. The results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company thereafter.

As the development of the logistics projects on the Target Land is only at an embryonic stage currently, it is not expected that the Target Group will bring immediate revenue to the Group upon Completion. However, in light of the expected growth of the logistics industry in China and the development of a commercial logistics centre in Xinjiang, details of which are set out in the sub-section headed "(3) Prospects of logistics industry in China" on pages 43-46 of the Circular, we share the Directors' view, as expressed in above sub-section headed "Reasons for entering into the Acquisition" on pages 39-41 of the Circular, that the Acquisition would be able to have a positive impact on the future revenue potential subsequent to the commencement of the development of the logistics project on the Target Land.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Working capital

As a result of entering into the Second Supplemental Agreement, the Vendor and the Purchaser have agreed to cap the Consideration at HK\$150 million instead of an amount of “not more than HK\$300 million, subject to downward adjustments” as originally stipulated in the SPA.

Since the Purchaser already paid the Vendor a sum of HK\$150 million in December 2012 as the Refundable Deposit in compliance with the requirements in the MOU, the Consideration can now be fully settled by the transfer of the Refundable Deposit paid to the Vendor by the Purchaser. Given that the Company is able to settle the Consideration without drawing on its current resources, the Acquisition would not have any adverse impact on the Company’s working capital.

Even in the unlikely event that the Company is required to utilise its current resources to settle the Consideration, it is noted from the Results Announcement that the Company recorded bank balances and cash of more than HK\$416 million, which should be able to adequately settle the Consideration. It should, however, be recorded that the above analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon Completion.

The Directors have confirmed that apart from the general working capital for the operation of the Group and, subject to Completion, the capital needs of the Group shall be the projected capital expenditure of approximately RMB187.2 million for the development of the Project from 2015 to 2018, in particular approximately: (a) RMB23.5 million in 2015; (b) RMB78.6 million in 2016; (c) RMB61.8 million in 2017 and (d) RMB23.3 million in 2018 respectively. The Directors are of the view that the Company is able to meet its working capital requirement for at least 12 months from the Latest Practicable Date. The Company has engaged a firm of accountants to review its working capital sufficiency of the Company and the draft comfort letter from the accountants will be provided when ready.

In addition, while it is recognised that the total investment costs of the Project is estimated to be approximately RMB214 million (after discounting the Refundable Deposit of HK\$150 million which has already been paid by the Company), we share the Directors’ view that the these costs can be met by the Company’s resources for the following reasons: (i) as at 31 March 2014, the Group had pledged bank deposits, cash and cash equivalents of approximately HK\$460.94 million and its working capital stood at approximately HK\$725.23 million; (ii) the Company will further expand its money lending business which had become a major profitable business activity for the Company during the year ended 31 March 2014; (iii) Third, based on the projected future cash flows of the Project Company, the Company’s projected capital expenditure of approximately RMB214 million is likely

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to be recouped in 5 years' time starting from 2018 according to plan; (iv) as per the third special undertakings set out on page 17 of the Circular, the Company will be paid RMB25 million as compensation if the Target Company fails to obtain the permit for commencement of the construction works or other relevant licenses and authorisations by 31 December 2018, which may go some way towards defraying the costs of investing in the Project; and (v) finally and most importantly, in light of the PRC government's support for the development of the logistics sector in China, the opportunity of tapping into the logistics industry in Xinjing by investing in the Project is an attractive business proposition on which the Company should capitalise because the potential benefits of the investment in the long run are very likely to outweigh the costs incurred.

RECOMMENDATION

Having considered the above mentioned principal factors and reasons, noting in particular (i) the outlook of the logistics industry in China and in particular Xinjiang is positive; (ii) the Acquisition is in line with the Group's long-term business strategy; (iii) the revised Consideration of HK\$150 million is lower than the market value of the Land Use Rights by HK\$10 million, representing a discount of approximately 6.25%; (iv) the central government's and Xinjiang government's efforts and determination to ease ethnic tensions and crack down on unrest in Xinjiang; (v) the Company's plan to finance the investment cost the Project partly by bank loans and partly by fund raising activities in the Hong Kong equity market; and (vi) the Acquisition is expected to improve the financial performance of the Group in the long run through the consolidation of the results of the Target Group, and balancing in the scales the advantages of the Acquisitions against its risks, we are of the view that, on balance, the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to approve the SPA and the transactions contemplated under it.

For and on behalf of
Pan Asia Corporate Finance Limited
Billy C. W. Cheung
Chairman



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

26 January 2015

Hao Tian Development Group Limited
Rooms 4917-4932, 49th Floor,
Sun Hung Kai Centre,
30 Harbour Road, Wanchai,
Hong Kong

Case Ref: AKKY/BVRE1629/DEC13(a)

Dear Sir/Madam,

Re: Valuation of the Land Use Rights of a Land Located at 烏魯木齊市甘泉堡工業園區甘露街3號 (No. 3 Gaulu Road, Ganquanbao Industrial Park, Urumqi) and the Development thereon held by 新疆新品物流有限公司 (Xinjiang Xinpin Logistics Co., Ltd.)

In accordance with the instructions from Hao Tian Development Group Limited (hereinafter referred to as the “**Company**”) to us to conduct a valuation of the land use rights of a land located at 烏魯木齊市甘泉堡工業園區甘露街3號 (No. 3 Gaulu Road, Ganquanbao Industrial Park, Urumqi) (hereinafter referred to as the “**Target Land**”) and the development thereon (collectively referred to as the “**Land Use Rights**”) held by 新疆新品物流有限公司 (Xinjiang Xinpin Logistics Co., Ltd.) (hereinafter referred to as the “**Business Enterprise**”), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the market value of the Land Use Rights as at 31 October 2014 (hereinafter referred to as the “**Date of Valuation**”).

This report states the purpose of valuation, scope of work, business and industry overviews, overviews of the Business Enterprise and the Land Use Rights, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as “**Roma Appraisals**”) acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company’s circular.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, management of the Business Enterprise and/or their representative(s) (together referred to as the “**Management**”).

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the logistics industry in China, and the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

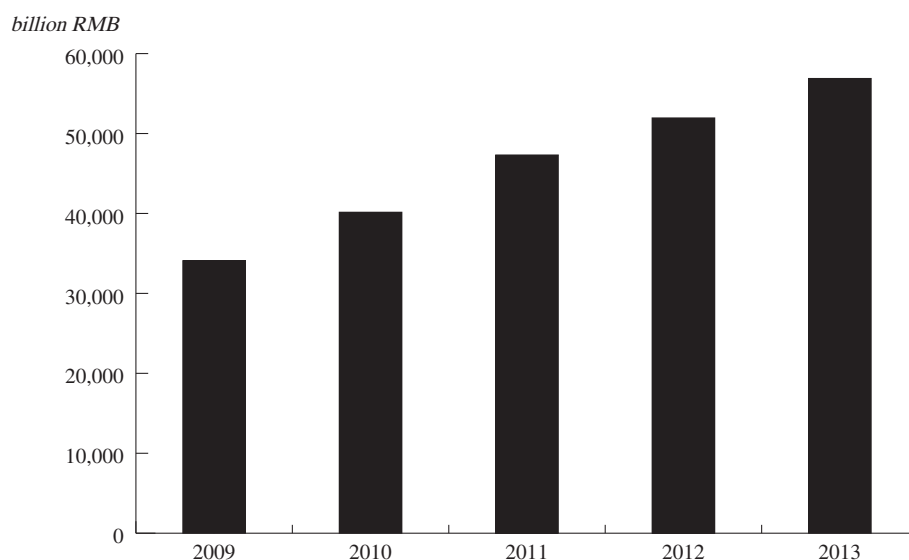
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product (“**GDP**”) of China in the full year of 2013 was RMB56,884.5 billion, an increase of 9.5% over last year. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund (“**IMF**”) in 2012. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China’s economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2011 and 2012.

Over the past decade from 2004 to 2013, compound annual growth rate of China's nominal GDP was 15.4% and in the government's latest plan, it is targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of China from 2009 to 2013.

Figure 1 – China's Nominal GDP from 2009 to 2013

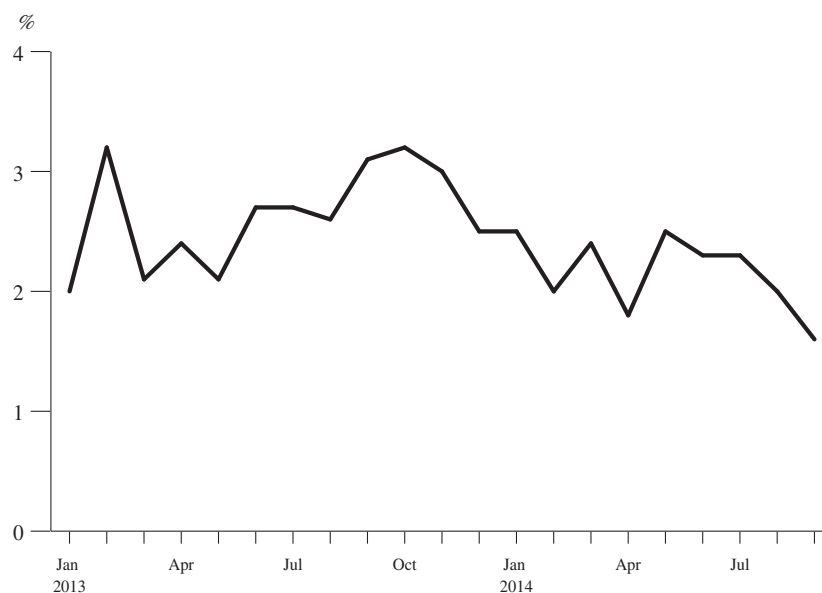


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in the second half of 2011 and first half of 2012 and maintained at around 2% to 3% during 2013. During the first three quarters of 2014, the inflation slightly decreased and reached 1.6% in September 2014. Figure 2 shows the year-over-year change in consumer price index of China from January 2013 to September 2014.

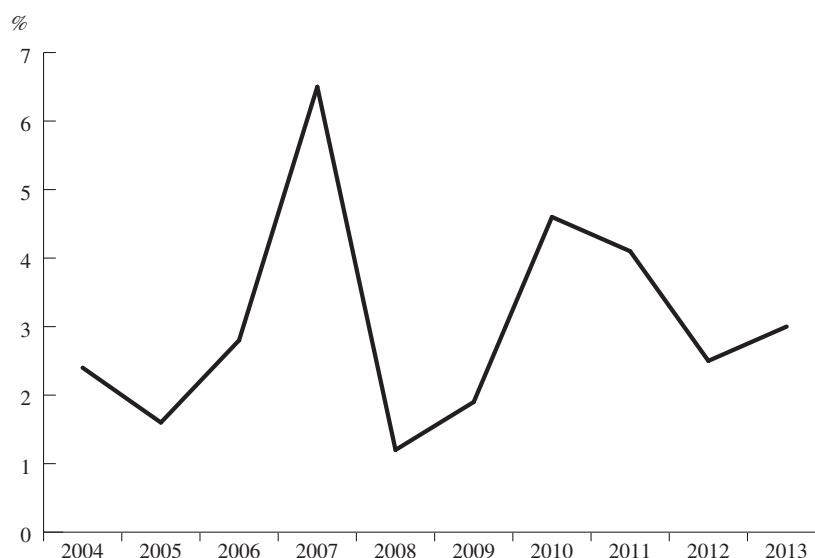
**Figure 2 – Year-over-year Change in China’s Consumer Price Index
from January 2013 to September 2014**



Source: National Bureau of Statistics of China

China’s inflation rate was volatile during the past decade. According to the IMF, the average inflation rate in China increased sharply from 2.8% in 2006 to 6.5% in 2007, and then dropped drastically to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate rebounded and increased to 4.6% in 2010 and maintained at a similar level of 4.1% in 2011. The inflation dropped again in 2012 to 2.5% and rose slightly to 3.0% in 2013. According to the forecast by the IMF, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China’s inflation rate from 2004 to 2013.

Figure 3 – China's Inflation Rate from 2004 to 2013



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

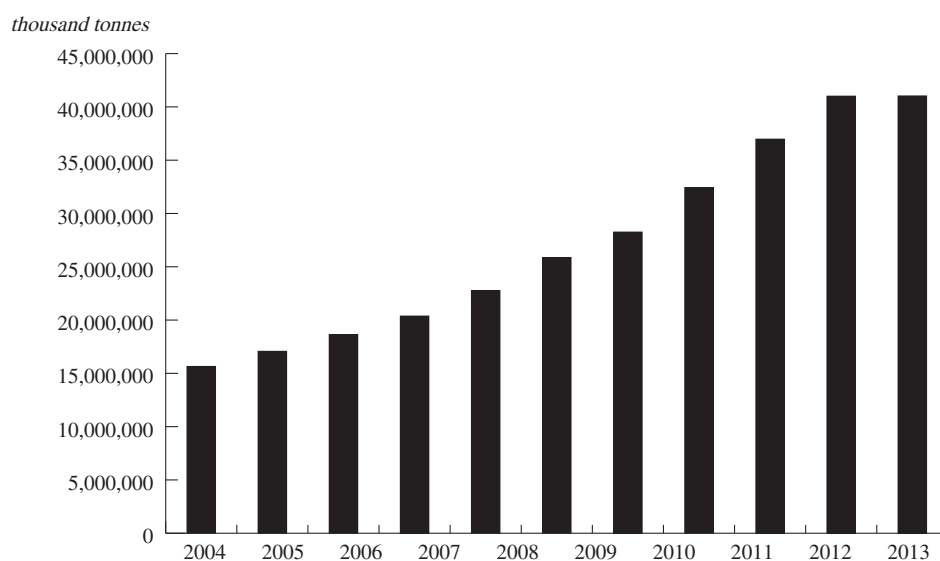
4.1 Overview of the Logistics Industry in China

China's supply chain needs have changed dramatically in the past few years, logistics entails more than simple handling, transport, and storage of goods nowadays. Driven by the growing industrial sector and the widening domestic retail market, China's logistics industry expanded rapidly in recent years.

In 2009, the Chinese government announced an industrial restructuring and revitalizing plan for the logistics industry in China, it focuses on boosting the demand in the logistic market, speeding up enterprise merger and restructuring activities, developing logistics in key areas and strengthening infrastructure construction. Furthermore, the State Council of the People's Republic of China issued new directives aimed at the sustainable development of the country's logistic sector in August 2011. This policy further enhances the growth and sustainability of the logistic market in China by offering tax relief for logistics companies.

According to the China Federation of Logistics & Purchasing, the logistics demand coefficient, which is the logistics industry's value-to-GDP ratio, increased to 3.4 in 2012 from 3.0 in 2008. During 2004 to 2012, the cargo volume of China remained a steady and stable growth. However, the China's cargo volume in 2013 just reached 41,024,950 thousand tonnes, representing only a 0.1% annual growth compared to the figure in 2012. Figure 4 below shows the cargo volume of China from 2004 to 2013.

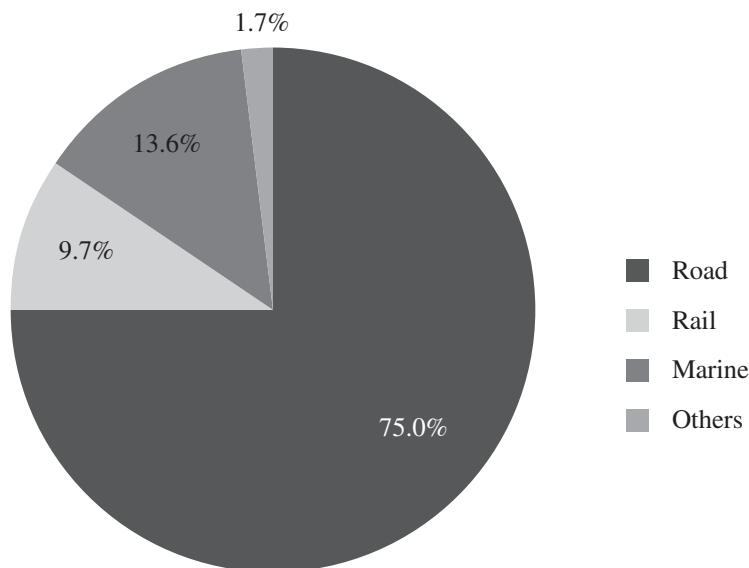
Figure 4 – China's Cargo Volume from 2004 to 2013



Source: National Bureau of Statistics of China

Among the transportation ways, road was the most common transportation way, which carried 75.0% of the China's cargo in 2013. 13.6% and 9.7% of the cargo were carried by marine and rail respectively. Air cargo and pipeline transportation were relatively less popular, together only carried 1.7% of the total China's cargo in 2013. Figure 5 illustrates the breakdown of the China's cargo volume in 2013.

Figure 5 – Breakdown of China's Cargo Volume in 2013



Source: National Bureau of Statistics of China

5. OVERVIEWS OF THE BUSINESS ENTERPRISE AND THE LAND USE RIGHTS

On 27 June 2013 (after trading hours), Tenfield Investments Limited (hereinafter referred to as the “**Purchaser**”), Sunshine Zhong Xing Capital Holdings Limited (hereinafter referred to as the “**Vendor**”) and Access Profit Global Enterprises Group Limited (hereinafter referred to as the “**Target Company**”) entered into the sale and purchase agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire issued shares of the Target Company and the amount due by the Target Company to the Vendor at a consideration of not more than HK\$300 million, subject to downward adjustments (hereinafter referred to as the “**Acquisition**”).

The Business Enterprise is a company incorporated with limited liability in the People's Republic of China ("PRC") on 11 June 2012 and it is an indirectly wholly-owned subsidiary of the Target Company. The principal asset of the Business Enterprise is and will be, upon completion of the Acquisition, the Land Use Rights on the Target Land of total area of 151,100.19 square meters located at 烏魯木齊市甘泉堡工業園區甘露街3號 (No. 3 Ganlu Road, Ganquanbao Industrial Park, Urumqi) which is proposed to be used for logistic and storage purpose.

As advised by the Management, the Target Land is located in the Ganquanbao Industrial Park of Urumqi with well-planned transportation network and convenient access to infrastructure facilities. It is expected that Urumqi will become an important logistics hub in line with the economic development within the region. With the Land Use Rights, the Business Enterprise proposed to develop on the Target Land a logistics project having gross floor area of approximately 69,553 square meters comprising composite warehouse, composite service buildings and open storage and yard and its proposal has been approved by the Development and Reform Commission of Urumqi.

6. BASIS OF VALUATION

Our valuation is based on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, market value is defined as "the estimated amount for which an asset 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".

For the avoidance of doubt, the valuation of the Land Use Rights set out in this Appendix reflects the market value of the rights to develop the Target Land into a logistics and storage company. It was estimated by reference to the financial forecasts of the potential logistics project to be established on the Target Land, and it represents an intangible asset in which the calculations were prepared in accordance with the Hong Kong Accounting Standard 38 – Intangible Assets.

On the other hand, the valuation of the Target Land as set out in Appendix II of this circular was prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors, which may not reflect the entire economic benefits from the right to use the Target Land based on the financial forecasts for logistic and storage purpose.

In light of the above, we consider these two valuations are representing two different concepts, and were also prepared under two different sets of professional standards and guidances.

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and logistics industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of the Land Use Rights requires consideration of all pertinent factors, which may or may not affect the operation of the business and the ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The natures and prospects of the Business Enterprise;
- The financial condition of the Business Enterprise;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Land Use Rights, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing assets that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values an asset by comparing prices at which other assets in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar assets that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the asset. The underlying theory of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the useful life of the asset. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the asset will continue to maintain stable economic benefits and growth rate.

8.3 Cost-Based Approach

The Cost-Based Approach values an asset by aggregating the costs of developing the asset to its current condition, or replacing that asset.

8.4 Land Use Rights Valuation

In the process of valuing the Land Use Rights, we have taken into account of the uniqueness of the Business Enterprise's operation and the nature of the logistics industry it is participating.

The Market-Based Approach was not adopted in this case because we did not notice that there was any comparable market transaction related to land and buildings used for logistic and storage purpose available. The Asset-Based Approach was also not adopted because it could not capture the future earning potential and thus true market value of the Land Use Rights. After making reference with the business plan of the Business Enterprise as provided by the Management, we have therefore considered the adoption of the Income-Based Approach in arriving at the market value of the Land Use Rights.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

$$\begin{aligned} \text{Expected Free Cash Flow} = & \text{Net Profit} + \text{Depreciation} + \text{After-Tax Interest} \\ & \text{Expenses} - \text{Change in Net Working Capital} - \\ & \text{Capital Expenditure} \end{aligned}$$

The present value of the expected free cash flow was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \dots + CF_n/(1+r)^n$$

In which

$$\begin{aligned} PVCF &= \text{Present value of the expected free cash flow;} \\ CF &= \text{Expected free cash flow;} \\ r &= \text{Discount rate; and} \\ n &= \text{Number of years.} \end{aligned}$$

To adopt this method, we obtained the weighted average cost of capital (“WACC”) of the Business Enterprise as a basic discount rate. WACC of the Business Enterprise is the minimum required return that the Business Enterprise must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

In which

R_e	=	<i>Cost of equity;</i>
R_d	=	<i>Cost of debt;</i>
W_e	=	<i>Weight of equity value to enterprise value;</i>
W_d	=	<i>Weight of debt value to enterprise value; and</i>
T_c	=	<i>Corporate tax rate.</i>

8.4.2 Cost of Debt

The cost of debt was determined by the expected borrowing rate of the Business Enterprise. Since the interest expenses paid on debts are tax-deductible for the Business Enterprise, the cost of the Business Enterprise to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.4.3 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model (“CAPM”), which describes the relationship between the risk of the Business Enterprise and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \times \text{Market Risk Premium} + \text{Other Risk Premium}$$

In which

R_e	=	<i>Cost of equity;</i>
R_f	=	<i>Risk-free rate; and</i>
β	=	<i>Beta coefficient.</i>

8.4.4 Discount Rate

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of the Business Enterprise as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in the logistics-related businesses in China, such as loading, unloading and storage services.
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Shenzhen Chiwan Wharf Holdings Ltd	200022.CH	China	Shenzhen Chiwan Wharf Holdings Ltd. operates the Chiwan Port in Shenzhen. The company handles, warehouses, and transports containers and bulk and general cargoes.
Yingkou Port Liability Co Ltd	600317.CH	China	Yingkou Port Liability Co., Ltd. operates and manages the Yingkou Port located in Liaoning province. The company provides cargo loading and unloading, storage, and transportation services.
Tianjin Port Co., Ltd.	600717.CH	China	Tianjin Port Co., Ltd. operates the Tianjin Port and provides related services including loading and unloading, storage, and transportation services. The company also acts as a freight transportation agency.

Company Name	Stock Code	Listing Location	Business Description
Jiangsu Lianyungang Port Co., Ltd.	601008.CH	China	Jiangsu Lianyungang Port Co., Ltd. mainly operates port and other related services including loading and unloading, storage, port equipment rentals and maintenance services.
Zhangjiagang Free-trade Science and Technology Co., Ltd	600794.CH	China	Zhangjiagang Free-trade Science and Technology Co., Ltd. operates in port storage and transportation, machine-made paper manufacturing, electronic services, and saponin manufacturing.
Jinzhou Port Co., Ltd.	900952.CH	China	Jinzhou Port Co., Ltd. operates the Jinzhou Port, providing loading, unloading, storage, and other shipping related services.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of the Business Enterprise adopted as at the Date of Valuation:

Key Parameters	As at 31 October 2014
a) Risk-free Rate	3.83%
b) Market Expected Return	14.35%
c) Market Risk Premium	10.52%
d) Beta Coefficient	1.00
e) Size Premium	3.81%
f) Firm Specific Risk Premium	4.00%
g) Cost of Equity	22.11%
h) Cost of Debt	15.00%
i) Weight of Equity Value to Enterprise Value	78.06%
j) Weight of Debt Value to Enterprise Value	21.94%
k) Corporate Tax Rate	25.00%
WACC	19.73%

Notes:

- a) The risk-free rate adopted was the yield rate of the China government 10-year note as at the Date of Valuation as extracted from Bloomberg.
- b) The market expected return adopted was the market return in China stock market as at the Date of Valuation as extracted and sourced from Bloomberg.
- c) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.
- d) The beta coefficient adopted was the median adjusted beta of the comparable companies as sourced from Bloomberg.
- e) The size premium adopted was adopted with reference to the size premium study conducted by Ibbotson Associates, Inc.
- f) With reference to “Valuing a Business, 5th Edition: The Analysis and Appraisal of Closely Held Companies” authored by Shannon P. Pratt and Alina V. Niculita, the firm specific risk premium adopted was to reflect the unsystematic risk specific to the Business Enterprise as compared to the comparable companies adopted. However, it states that there is no specific model or sets of formulas to estimate the firm specific risk premium. This is determined based on our experience and professional judgments after discussing the current status and future development of the Business Enterprise with the Management, when comparing to the comparable companies adopted.

One of the factors considered includes the fact that the Business Enterprise would be a start-up company that solely held the Target Land without any business track as at the Date of Valuation, while the comparable companies adopted have longer operating histories (represented by 2% premium). The Business Enterprise would encounter uncertainties in construction work, labor recruitment and logistics operations in the future.

Furthermore, the Business Enterprise would start up the logistics business in Urumqi and face competition with logistics companies in other PRC cities, such as Dalian, Qinhuangdao, Tianjin and Qingdao (represented by another 2% premium). In particular, the Management expected that the Business Enterprise would commence its operations starting in around early 2018, while the comparable companies adopted are already profit-making companies as at the Date of Valuation. There would be uncertainties regarding the projections of the future cash flows of the Business Enterprise as provided by the Management.

- g) The cost of equity was determined based on CAPM.
- h) The cost of debt adopted was the Management’s estimate after considering the local borrowing rates of the Business Enterprise.
- i) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- j) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- k) The corporate tax rate adopted was the corporate tax rate in China.

Hence, the WACC of 19.73% was applied as the discount rate of the Land Use Rights as at the Date of Valuation.

8.4.5 Sensitivity Analyses

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of the Land Use Rights in respect of 1% and 2% deviation in the discount rate from the status quo. The results of the sensitivity analysis were as follows:

Change in Discount Rate	Applied Discount Rate	Market Value of the Land Use Rights (HK\$)
+2%	21.73%	116,000,000
+1%	20.73%	137,000,000
0%	19.73%	160,000,000
-1%	18.73%	187,000,000
-2%	17.73%	216,000,000

In addition, a sensitivity analysis was performed on the market value of the Land Use Rights in relation to whether the construction work and operations of the Business Enterprise would be commenced as planned by the Management. The results of the sensitivity analysis were as follows:

Whether the Construction Work and Operations of the Business Enterprise would be Commenced as Planned by the Management	Market Value of the Land Use Rights (HK\$)
Yes ¹	160,000,000
No ²	156,000,000

Notes:

- 1 The construction work would take place between 2016 and 2017, while the Business Enterprise would commence its operations starting from 2018; and
- 2 Both the construction work and operations of the Business Enterprise would be delayed for 1 year (i.e. the construction work would take place between 2017 and 2018, while the Business Enterprise would commence its operations starting from 2019).

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- As per the latest business plan of the Business Enterprise and the approval given by the regulatory commission of the Ganquanbao Economic and Technological Development Zone (甘泉堡經濟技術開發區管理委員會) provided, the construction work would take place between 2016 and 2017, while the Business Enterprise would commence its operations starting from 2018;
- The valuation was mainly based on the projections of the future cash flows of the Business Enterprise from 2014 to 2030, as provided by the Management;
- The land premium in relation to the Target Land has been considered in the valuation, with reference to the unaudited management accounts of the Business Enterprise as at 31 October 2014 as provided by the Management;
- As advised by the Management, the Business Enterprise had no material non-operating assets and liabilities, no bad debts and no borrowings as at the Date of Valuation;
- The projections outlined in the financial information provided by the Management are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and
- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Land Use Rights. The factors considered included, but were not necessarily limited to, the following:

- The business natures of the Business Enterprise;
- PRC legal opinion letter in relation to the Business Enterprise;
- Copies of the business licenses and related agreements;
- Market trends of the logistics industry in China; and
- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and business projection of the Business Enterprise provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and described in the business plan prepared by China Machinery TDI International Engineering Co. Ltd. (中機十院國際工程有限公司) to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Business Enterprise was responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the businesses as well as the market value of the Land Use Rights.

We have not investigated the title to or any legal liabilities of the Land Use Rights, and have assumed no responsibility for the title to the Land Use Rights appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK\$). The exchange rate adopted in the valuation is approximately RMB1 = HK\$1.2808, which was the prevailing exchange rate as extracted from Bloomberg as at the Date of Valuation.

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprise and the associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the Land Use Rights as at the Date of Valuation, in our opinion, was reasonably stated as HK\$160,000,000 (HONG KONG DOLLARS ONE HUNDRED AND SIXTY MILLION ONLY).

Yours faithfully,

For and on behalf of

Roma Appraisals Limited



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

26 January 2015

Hao Tian Development Group Limited
Rooms 4917-4932, 49th Floor,
Sun Hung Kai Centre,
30 Harbour Road, Wanchai,
Hong Kong

Dear Sir/Madam,

**Re: Valuation of a parcel of land for storage development in No.3 Gan Lu Street,
Ganquanbao Industrial Park, Urumuqi City, Xinjiang Uygur Autonomous Region, the
People's Republic of China**

In accordance with your instructions for us to value the property intended to be acquired by Hao Tian Development Group Limited (the “**Company**”) and/or its subsidiaries (together with the Company referred to as the “**Group**”) in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 October 2014 (the “**Date of Valuation**”) for the purpose of incorporation in the circular of the Company dated 26 January 2015.

1. BASIS OF VALUATION

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

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

2. VALUATION METHODOLOGY

We have valued the property on market basis by comparison approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location and other relevant factors.

3. TITLE INVESTIGATION

For the property in the PRC, We have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal advisor, Guantao Law Firm (觀韜律師事務所) regarding the title to the property in the PRC. All documents have been used for reference only.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in the existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services. We have not carried out investigation on site to determine the suitability of the ground conditions and the service etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not carried out on-site measurement to verify the site/floor areas of the property under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

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

In valuing the property, we have complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,

For and on behalf of

Roma Appraisals Limited

Dr. Alan W K Lee

BCom(Property) MFin PhD(BA)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 11 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

VALUATION CERTIFICATE

Property intended to be acquired by the Group for future development in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market value in Existing State as at 31 October 2014
A parcel of land for storage development in No.3 Gan Lu Street, Ganquanbao Industrial Park, Urumuqi City, Xinjiang Uygur Autonomous Region, The PRC 位於中國新疆維吾爾自治區烏魯木齊市甘泉堡工業園區甘露街3號之一個倉儲發展項目	The property comprises a parcel of land (Land No. 2012 Gua-No.51-02) with a site area of approximately 151,100.19 sq.m. (or about 1,626,442.45 sq.ft.) on which a storage development is proposed to be built. The property will be developed into a storage development with a total planned gross floor area of approximately 69,553 sq.m. (or about 748,668 sq.ft.) scheduled to be completed in 2016. The land use rights of the property were granted for a term of 50 years commencing on the date of handover of the subject land.	As advised by the Group, the property is a bare site to be developed.	RMB16,000,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) (the “**Land Use Rights Grant Contract**”), numbered as 65010920130042 dated 14 November 2013, entered into between Urumqi City Land Resources Bureau Midong District Branch (烏魯木齊市國土資源局米東區分局) and 新疆新品物流有限公司 (for identification purposes, its English translation as Xinjiang Xinpin Logistics Co., Ltd. (“**Xinjiang Xinpin**”)), the land use rights of the property with a site area of 151,100.19 sq.m. have been agreed to be transferred to the latter party at a consideration of RMB12,800,000. The salient development conditions of the property stated the contract are summarized as follows:

a.	Site area	:	151,100.19 sq.m.
b.	Planned gross floor area	:	151,100.19 sq.m.
c.	Plot ratio	:	Equal or not more than 1
d.	Green space ratio	:	Not higher than 20%
e.	Height restriction	:	Not higher than 24m
f.	Use	:	Storage
g.	Area for executive office And life service facility	:	Not more than 10,577.01 sq.m.
h.	Land use term	:	50 years for storage use

2. The status of title in accordance with the information provided by the Group is as follows:

State-owned Construction Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	No

3. Our inspection was performed by Dr. Alan W K Lee in May 2013.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:
- All land premium has been settled in full;
 - There is no material legal impediment for Xinjiang Xinpin to obtain the State-owned Land Use Rights Certificate after submission of relevant documents and completion of obligation requested by relevant Government authorities; and
 - After obtaining State-owned Land Use Rights Certificate, the property can be transferred, leased and mortgaged.



ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE LAND USE RIGHTS AND THE DEVELOPMENT THEREON HELD BY XINJIANG XINPIN LOGISTICS CO., LTD.

TO THE DIRECTORS OF HAO TIAN DEVELOPMENT GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Roma Appraisals Limited dated 26 January 2015, of the land use rights and the development thereon held by Xinjiang Xinpin Logistics Co., Ltd. (collectively the “**Asset**”) as at 31 October 2014 (the “**Valuation**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in a circular dated 26 January 2015 to be issued by Hao Tian Development Group Limited (the “**Company**”) in connection with the proposed acquisition of 100% interests in an investment holding company with logistics project in Urumqi (the “**Circular**”).

DIRECTORS' RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in Appendix I to the Circular (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Asset.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

26 January 2015

The following is the text of a letter, prepared for inclusion in this circular, received by the Board from Kingston Corporate Finance Limited in connection with the projection underlying the Valuation Report.



KINGSTON CORPORATE FINANCE LTD.

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central, Hong Kong

26 January 2015

The Board of Directors
Hao Tian Development Group Limited

Dear Sirs,

Discloseable and connected transaction in relation to the Acquisition – Valuation of the land use rights of Xinjiang Xinpin Logistics Co., Ltd. (the “Project Company”)

Unless defined otherwise, capitalised terms used in this letter shall have the same meaning as ascribed to them in the circular of Hao Tian Development Group Limited (“**Company**”, together with its subsidiaries the “**Group**”) dated 26 January 2015 (“**Circular**”).

We refer to the projection of the future cashflows of the Project Company, which was prepared on a discounted cash flow basis provided by the management of the Group, underlying the valuation report prepared by Roma Appraisal Limited (“**Valuer**”) in relation to the valuation of the land use rights of the Project Company (“**Valuation**”) as detailed in Appendix I to the Circular. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The Valuation, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on, among other things, the projection of the future cashflows of the Project Company from 2014 to 2030 provided by the management of the Group (“**Profit Forecast**”).

We have reviewed the Profit Forecast upon which the Valuation has been made and discussed with you on the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 26 January 2015 addressed to you from Deloitte Touche Tohmatsu (“**Deloitte**”) regarding its opinion on the discounted future estimated cash flows of the Project Company which, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions determined by the Directors in the Valuation.

On the basis of the foregoing and on the bases and assumptions made by you and the calculations adopted by you and reviewed by Deloitte, we have formed the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry. However, we express no opinion on whether the actual cash flows would eventually be achieved in correspondence with the Profit Forecast. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Our work in connection with the Profit Forecast has been undertaken solely for the strict compliance with Rule 14.61 of the Listing Rules and for no other purposes.

Yours faithfully,
Kingston Corporate Finance Limited
Gregory Ho
Managing Director

1. DISCLOSURE OF INTERESTS OF DIRECTORS IN EQUITY OR DEBT SECURITIES

As at the Latest Practicable Date, the interests and short positions of each Director, chief executive of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are set out below:

(a) Long positions in Shares as at the Latest Practicable Date:

Name of Director/chief executive	Capacity	Nature of interest	Number of Shares held	Number of underlying Shares held	Total interests	Approximate percentage of total issued share capital (Note 1)
Li Shao Yu	Interest held by controlled corporations	Corporate interest	1,510,821,829 (Note 2)	–	1,520,892,589	51.66%
	Beneficial owner	Personal interest		10,070,760 (Note 3)		
Fok Chi Tak	Beneficial owner	Personal interest		1,514,400 (Note 3)	1,514,400	0.05%

Notes:

- The percentage of shareholding is calculated on the basis of 2,944,303,100 Shares in issue as at the Latest Practicable Date.
- These Shares were held (a) directly by Tai Rong Xin Ye International Power Generation Inc., which was a wholly-owned subsidiary of Hao Tian Integrated Group Development Limited; (b) both directly and indirectly by TRXY Development (HK) Limited, which was wholly-owned by Ms. Li through her personal interest and controlling interests in Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited; and (c) directly by Real Power Holdings Limited, which is beneficially owned as to 75% by TRXY Development (HK) Limited; and (d) directly by Asia Link Capital Investment Holdings Ltd., which was wholly-owned by Ms. Li. Accordingly, Ms. Li was deemed to be interested in 1,510,821,829 Shares under the SFO.
- These are the number of Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to the share options granted by the Company under the share option scheme adopted on 16 May 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

2. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) *Interest in the Shares*

Long positions in Shares and underlying shares of equity derivatives of the Company as at the Latest Practicable Date:

Name of shareholder	Number of shares held	Number of underlying shares held	Capacity	Total interests	Approximate percentage of total issued share capital (Note 1)
Asia Link Capital Investment Holdings Limited	1,399,471,532 (Note 2)	–	Beneficial owner	1,399,471,532	47.83%

Notes:

1. The percentage of shareholding is calculated on the basis of 2,944,303,100 shares in issue as at the Latest Practicable Date.
2. Asia Link Capital Investment Holdings Limited is beneficially wholly-owned by Ms. Li Shao Yu.

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as was known to the Directors and chief executives of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable within one year without payment of compensation (other than statutory compensation).

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2014, 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, or were proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the date of this circular and which was significant in relation to the business of the Group as a whole.

5. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Pan Asia Corporate Finance Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Kingston Corporate Finance Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
Roma Appraisals Limited	Professional valuer
Deloitte Touche Tohmatsu	Certified public accountants

The letters and reports from each of the above experts are given as of the date of this circular for incorporation in this circular.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports, letters and/or opinions, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any direct or indirect shareholding in any member of the Enlarged Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group or any interests, directly or indirectly, in any assets which have been, since 31 March 2014, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of or leased to any member of the Enlarged Group, or were proposed to be acquired, disposed of or leased to any member of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested directly or indirectly in any business, apart from their interest in the Company, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including banking and other facilities and other internal resources, and the expected working capital requirements in connection with the Acquisition, the Group has sufficient working capital for at least the next twelve months from the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

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 March 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at Rooms 4917-4932, 49/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 31 and 32 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 33 to 74 of this circular;
- (c) the Valuation Report of Roma Appraisals Limited dated 26 January 2015, the text of which is set out in Appendix I to this circular;
- (d) the valuation report on the Target Land of Roma Appraisals Limited dated 26 January 2015, the text of which is set out in Appendix II to this circular;
- (e) the report from Deloitte Touche Tohmatsu in relation to in relation to profit forecasts underlying the Valuation Report, the text of which is set out in Appendix III to this circular;

- (f) the letter from Kingston Corporate Finance Limited in relation to profit forecasts underlying the Valuation Report, the text of which is set out in Appendix IV to this circular;
- (g) the written consent from each expert referred to in paragraph headed “Expert’s consent and qualification” in this appendix;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 31 and 32 of this circular;
- (i) the SPA;
- (j) the Supplemental Agreements;
- (k) the Business Plan; and
- (l) the share mortgage dated 27 June 2013 over the shares in the Target Company executed by the Vendor in favour of the Purchaser.

10. MISCELLANEOUS

The English text of this circular will prevail over the Chinese text in the case of any inconsistency.

The chairman of the meeting will at the EGM demand, pursuant to article 66 of the Articles, poll voting on all resolutions set out in the notice of the EGM.

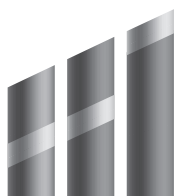
On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representatives, shall have one vote for every Share of which he/she is the holder.

A Shareholder present in person or by proxy or by authorised representatives who is entitled to more than one vote does not have to use all his/her votes (i.e., he/she can cast less votes than the number of Shares he/she holds or represents) or to cast all his/her votes the same way (i.e., he/she can cast some of his/her votes in favour of the resolution and some of his/her votes against the resolution).

The poll voting slip will be distributed to Shareholders or their proxies or authorised representatives upon registration of attendance at the EGM. Shareholders who want to cast all their votes entitled may mark a “✓” in either “FOR” or “AGAINST” box corresponding to the resolution to indicate whether he/she supports that resolution. For Shareholders who do not want to use all their votes or want to split votes in casting a particular resolution shall indicate the number of votes cast on a particular resolution in the “FOR” or “AGAINST” box, where appropriate, but the total votes cast must not exceed his/her entitled votes, or otherwise, the voting slip will be spoiled and the Shareholder’s vote will not be counted.

After closing the poll, the Company’s share registrar, Computershare Hong Kong Investor Services Limited, will act as scrutineer and count the votes and the poll results will be published after the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING



昊天發展集團有限公司

Hao Tian Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Hao Tian Development Group Limited (“**Company**”) will be held at the Training Room, 4/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on 16 February 2015 at 10:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the SPA (as defined in the circular to shareholders of the Company dated 26 January 2015) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the director(s) of the Company (“**Director(s)**”) be and are hereby authorised to do all such further acts and things and execute such further documents and take all steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the SPA, all other transactions of the Company which arise following completion of the SPA and all other transactions contemplated thereunder with any changes as such Director(s) may consider necessary, desirable or expedient.”

By Order of the Board
Hao Tian Development Group Limited
Chan Lai Ping
Company Secretary

Hong Kong, 26 January 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal place of business in Hong Kong:

Rooms 4917-4932, 49th Floor

Sun Hung Kai Centre

30 Harbour Road, Wanchai

Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting 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. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the above meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should he so wish.
5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the board comprises three executive Directors, namely Mr. Xu Hai Ying, Dr. Zhiliang Ou, JP (Australia), and Mr. Fok Chi Tak and three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Lam Kwan Sing and Mr. Lee Chi Hwa, Joshua.