THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **U-RIGHT International Holdings Limited** (the "**Company**"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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 howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the SGM of the Company to be held on 20 November 2017 at 10:30 a.m..

U-RIGHT INTERNATIONAL HOLDINGS LIMITED

佑威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 627)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) VERY SUBSTANTIAL DISPOSALS;
(5) PLACING OF SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(6) PROPOSED SHARE PREMIUM REDUCTION;
(7) PROPOSED CHANGE OF NAME OF THE COMPANY;
(8) PROPOSED ADOPTION OF SHARE OPTION SCHEME; AND
(9) NOTICE OF SPECIAL GENERAL MEETING

Sponsor to the deemed new listing application of the Company

AmCap
Ample Capital Limited
豐盛融資有限公司

Joint Financial Advisers to the Company

KINGSTON CORPORATE FINANCE

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

MESSIS 大有融資

A letter from the Board is set out on pages 85 to 139 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 140 to 141 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 142 to 178 of this circular.

A notice convening the SGM to be held at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Monday, 20 November 2017 at 10:30 a.m. is set out on pages SGM-1 to SGM-8 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) if you so desire.

* *For identification purposes only*

27 October 2017

CONTENTS

Page

Expected timetable iii

Summary 1

Definitions 30

Glossary of technical terms 46

Forward-looking statements 49

Risk factors 52

Directors, senior management and parties involved 78

Corporate information of the Company 83

Letter from the Board 85

Letter from the Independent Board Committee 140

Letter from the Independent Financial Adviser 142

History and background of the Target Group 179

Business of the Target Group 201

Continuing connected transactions 263

Directors and senior management of the Restructured Group 268

Relationship with the controlling shareholders 283

Waivers from strict compliance with the Listing Rules 310

Financial information of the Target Group 313

Share capital 387

CONTENTS

Page

Appendix I — **Industry overview** I-1

Appendix II — **Regulatory overview** II-1

Appendix III — **Accountants' report on the Target Group** III-1

Appendix IV — A — **Financial information of the Group** IV-1

Appendix IV — B — **Financial information of the UR Disposal Group** IV-153

Appendix IV — C — **Financial information of the Alfreda Disposal Group** IV-160

Appendix V — **Unaudited pro forma financial information of the Restructured Group** V-1

Appendix VI — **Property valuation of the Target Group** VI-1

Appendix VII — **Property valuation of the Remaining Group** VII-1

Appendix VIII — **Summary of the constitution of the Company and Bermuda Company Law** VIII-1

Appendix IX — **Statutory and general information** IX-1

Appendix X — **Documents available for inspection** X-1

Appendix XI — **Adjustment events and formulae of the Conversion Price of the Convertible Bonds** XI-1

Notice of SGM SGM-1

The following expected timetable is indicative only and is subject to change. If necessary, further announcement in relation to any revised timetable will be published as and when appropriate. All times and dates in this circular refer to Hong Kong local time and date.

Event	**Expected time and date**
Despatch of this circular	Friday, 27 October 2017
Latest time and date for lodging proxy forms for the SGM	10:30 a.m. on Saturday, 18 November 2017
Time and date of the SGM	10:30 a.m. on Monday, 20 November 2017
Announcement of results of the SGM	Monday, 20 November 2017
Expected effective date of the Share Premium Reduction	Monday, 20 November 2017
If approvals sought at the SGM are obtained:	
Completion of the Acquisition, the Share Placing, the CB Placing and the Disposals	on or around Friday, 8 December 2017
Announcement of completion of the Acquisition, the Share Placing, the CB Placing and the Disposals	on or around Friday, 8 December 2017
Expected effective date of the Name Change	Monday, 18 December 2017

1. THE ACQUISITION, THE DISPOSALS AND THE PLACING OF SHARES AND CONVERTIBLE BONDS

After trading hours on 14 April 2015, the Company (as the purchaser) and the Vendor entered into the SP Agreement pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Shareholders' Loan for a total consideration of HK$1,511,313,200, which will be satisfied by (i) the issue of not more than 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share issued and allotted under a specific mandate proposed to be obtained at the SGM; and (ii) the remaining amount of HK$100,000,000 by cash and/or the Promissory Note (if applicable).

After trading hours on 27 October 2015, the Company (as the vendor) and the UR Purchaser entered into the UR Disposal Agreement pursuant to which the Company has agreed to sell, and the UR Purchaser has agreed to purchase the entire issued share capital of UR Group Limited and a shareholder's loan in the sum of approximately HK$18.56 million owed by UR Disposal Group to the Company for a total consideration of approximately HK$56.50 million.

After trading hours on 27 October 2015, the Company (as the vendor) and the Alfreda Purchaser entered into the Alfreda Disposal Agreement pursuant to which the Company has agreed to sell, and the Alfreda Purchaser has agreed to purchase the entire issued share capital of Alfreda Limited and a shareholder's loan in the sum of approximately HK$16.8 million owed by Alfreda Disposal Group to the Company for a total consideration of approximately HK$22.36 million.

In connection with the Acquisition, on 20 October 2017 (after trading hours) (i) the Company entered into the Placing Agreement with the Placing Agent to place the Placing Shares at the share placing price of HK$0.22 per Placing Share to not less than six Share Placees; and (ii) the Convertible Bonds for an aggregate principal amount of not more than HK$200 million at an initial conversion price of HK$0.22 per Conversion Share to the CB Placees.

The completions of the Disposals, the Share Placing and the CB Placing are expected to take place simultaneously with, or immediately after, the SP Completion.

The Group is principally engaged in operating with distinctive business lines of wholesale of garments and retail of fashion garments covering men, women and children's wear, trading of construction materials and property investment prior to the completions of the Disposals and the SP Completion. The Group will divest its businesses of (i) retail of fashion garments in the PRC and wholesale trading of raw materials and textile products in the PRC through the UR Disposal; and (ii) design, distribution and sale of fashion apparels in the PRC through the Alfreda Disposal, and the remaining subsidiaries of the Group will be principally engaged in the trading of construction materials and property investment. Immediately upon the SP Completion, the principal business of the Group will be changed into the business of the Target Group in property development in the PRC.

This circular contains, among other things, further details of (i) the SP Agreement and the Acquisition together with, inter alia, the property valuation report of the Target Group and the financial information of the Target Group and the Restructured Group; (ii) the application for Whitewash Waiver; (iii) the proposed Share Premium Reduction; (iv) the proposed Name Change; (v) the Share Placing and CB Placing; (vi) the Disposals; (vii) the proposed adoption of the Share Option Scheme; (viii) the recommendation of the IBC and the letter of advice from the Independent Financial Adviser to the IBC and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder; (ix) details of the proposed appointment of new Directors; and (x) the notice of the SGM.

2. CONTROLLING SHAREHOLDERS AND BUSINESS DELINEATION

It is expected that the Vendor, which is wholly owned by Mr. Pan, will hold more than 50% of the enlarged issued share capital of the Company upon SP Completion. As such, the Vendor together with Mr. Pan will become the controlling shareholders upon SP Completion.

As at 31 July 2017, the controlling shareholders had a portfolio of 35 ongoing property projects under various stages of development which comprised 25 residential projects, 6 commercial projects and 4 residential and commercial complex projects through the Excluded Companies in the following provinces/cities: Fujian, Tianjin, Jiangsu, Guangdong and Henan in the PRC.

The business of the Target Group and the Excluded Companies are clearly delineated based on their geographical locations. Before SP Completion, the Target Group has been conducting its business through its PRC Operating Subsidiaries in Changsha, Hunan Province of the PRC, while the Excluded Companies have been conducting their business in the following provinces/cities: Fujian, Tianjin, Jiangsu, Guangdong and Henan in the PRC. There is no overlap between the locations of the property projects of the Target Group and the Excluded Projects.

To ensure that competition will not exist in the future, the controlling shareholders have entered into the Deed of Non-competition with the Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly, participate in, engage in, or conduct any business which may be in competition with the business of the Restructured Group. For further details of the controlling shareholders, please refer to the section headed ''Relationship with the controlling shareholders'' in this circular.

3. IMPLICATIONS OF THE ACQUISITION UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Vendor, its ultimate beneficial owners and parties acting in concert with any of them was holding 1,080,000 Shares, representing approximately 0.08% of the issued share capital of the Company. Immediately following the allotment and issue of the Consideration Shares and the Placing Shares, the shareholding of the Vendor, its ultimate beneficial owner(s) and parties acting in concert with any of them will increase to approximately 61.32% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares. Immediately following the allotment and issue of

the Consideration Shares, the Placing Shares and the Conversion Shares, the shareholding of the Vendor, its ultimate beneficial owner(s) and parties acting in concert with any of them will increase to approximately 56.42% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the maximum number of Conversion Shares falling to be issued upon full exercise of the conversion rights attaching to the Convertible Bonds. Under Rule 26.1 of the Takeovers Code, the Vendor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

The Vendor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent to the SP Completion that the Whitewash Waiver has been obtained. The granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Acquisition. In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the SP Agreement and the transactions contemplated thereunder will not become unconditional and the Acquisition will not proceed.

4. IMPLICATIONS OF THE ACQUISITION, THE DISPOSALS AND THE PLACING OF SHARES AND CONVERTIBLE BONDS UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition.

Further, as the Vendor, being a substantial shareholder of the Target Company, will upon Completion become a controlling shareholder and thus a controller of the Company as a result of the Acquisition, the Acquisition constitutes a connected transaction for the Company pursuant to Rule 14A.28 of the Listing Rules.

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) involves acquisition of assets from the Vendor which will result in a change in control (as defined under the Takeovers Code) of the Company immediately after the allotment and issue of the Consideration Shares.

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

Accordingly, the Acquisition is subject to the approval by the Stock Exchange. The Company has submitted the new listing application to the Stock Exchange. The approval-in-principle to the new listing application was granted by the Stock Exchange on 25 October 2017.

The Acquisition is also subject to the approval of the Independent Shareholders at the SGM. The Vendor and its associates are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve, among others, the SP Agreement and the transactions contemplated thereunder. The Consideration Shares will be issued under specific mandate to be obtained at the SGM.

As the highest of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, is expected to exceed 75%, the Disposals together will constitute a very substantial disposal transaction for the Company under Rule 14.06 of the Listing Rules and will therefore subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Placing Shares and the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds will be issued under a specific mandate to be obtained at the SGM.

The SGM will be convened for the purpose of considering, and if thought fit, approving each of the Transactions and the related agreements.

As Advance Lead International Limited, being the controlling shareholder of the Company prior to the entering into of the SP Agreement, has no material interest and was not involved in or interested in the SP Agreement, the Placing Agreement, the Whitewash Waiver, the UR Disposal Agreement nor the Alfreda Disposal Agreement and the transactions contemplated respectively thereunder and accordingly, Advance Lead International Limited is not required to abstain from voting on the Board resolutions for considering and approving the SP Agreement, the Placing Agreement, the Whitewash Waiver, the UR Disposal Agreement and the Alfreda Disposal Agreement and all the transactions contemplated thereunder.

Since Mr. Pan, the ultimate beneficial owner of the Vendor who holds 1,080,000 Shares, has material interests in the SP Agreement and the transactions contemplated thereunder, Mr. Pan, the Vendor and their respective associates and parties acting in concert with any of them are required to abstain from voting on the relevant resolutions.

5. BUSINESS OF THE TARGET GROUP

5.1 Overview

The Target Group is primarily engaged in the development and sale of residential and commercial properties in Changsha, in the PRC through its PRC Operating Subsidiaries. As at 31 July 2017, the Target Group had a portfolio of six active projects under various stages of development in Changsha, with a main focus on the development of residential properties, as well as integrated residential and commercial properties, featuring residential buildings, offices, commercial apartments, retail shops, hotel and shopping malls, with a total GFA of approximately 1,439,710 sq.m.. According to the "Industry overview" in Appendix I to this circular, the Target Group was one of the top 50 real estate enterprises in Changsha in 2016.

Below is a map showing the geographic location of the projects of the Target Group in the PRC.

Changsha, Hunan Province	
Project name	**GFA (sq.m.)**
Qianlong Academy (錢隆學府)	172,456
Qianlong Fine Art (錢隆樽品)	252,862
Qianlong Premier Mansion (錢隆首府)	176,410
Qianlong Royal Family (錢隆世家)	437,760
Qianlong International (錢隆國際)	236,362
Fullsun International Financial Centre (福晟國際金融中心)	163,861

The table below details the Target Group's property development projects as at 31 July 2017 which (i) had been completed; (ii) were under development; or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

					COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	**Actual/estimated construction commencement date** *(note 1)*	**Actual/estimated pre-sale commencement date** *(note 2)*	**Actual/estimated construction completion date** *(note 3)*	**Total GFA** *(note 4)* *(approximate sq.m.)*	**GFA completed** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 5)* *(approximate sq.m.)*	**GFA sold and pre-sold** *(note 6)* *(approximate sq.m.)*	**Saleable/Car park GFA remaining unsold** *(note 6)* *(approximate sq.m.)*	**GFA under development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 7)* *(approximate sq.m.)*	**GFA pre-sold** *(note 6)* *(approximate sq.m.)*	**GFA held for future development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 8)* *(approximate sq.m.)*	**The Target Group's attributable interest in the project** *(note 9)*	**Reference to property valuation report** *(property no.)*
Qianlong Academy (錢隆學府)															
Phase I	December 2009	September 2010	October 2013	104,125	104,125	101,660	94,490	7,169	–	–	–	–	–	100%	2
– Residential				80,107	80,107	80,107	80,107	–	–	–	–	–	–		
– Retail shops				1,955	1,955	1,955	1,955	–	–	–	–	–	–		
– Car parks				19,598	19,598	19,598	12,428	7,169	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				2,466	2,466	–	–	–	–	–	–	–	–		
Phase II	April 2011	December 2011	July 2014	68,330	68,330	67,302	65,861	1,441	–	–	–	–	–	100%	2
– Residential				56,333	56,333	56,333	56,333	–	–	–	–	–	–		
– Retail shops				817	817	817	817	–	–	–	–	–	–		
– Car parks				10,152	10,152	10,152	8,711	1,441	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				1,028	1,028	–	–	–	–	–	–	–	–		
Total for Qianlong Academy				172,456	172,456	168,961	160,351	8,610	–	–	–	–	–	100%	

Project	Actual/estimated construction commencement date *(note 1)*	Actual/estimated pre-sale commencement date *(note 2)*	Actual/estimated construction completion date *(note 3)*	Total GFA *(note 4)* *(approximate sq.m.)*	COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT		The Target Group's attributable interest in the project *(note 9)*	Reference to property valuation report
					GFA completed *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 5)* *(approximate sq.m.)*	GFA sold and pre-sold *(note 6)* *(approximate sq.m.)*	Saleable/Car park GFA remaining unsold *(note 6)* *(approximate sq.m.)*	GFA under development *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 7)* *(approximate sq.m.)*	GFA pre-sold *(note 6)* *(approximate sq.m.)*	GFA held for future development *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 8)* *(approximate sq.m.)*		*(property no.)*
Qianlong Fine Art (錢隆導品)															
Phase I	July 2008	April 2010	November 2010	68,553	68,553	66,359	64,351	2,007	–	–	–	–	–	100%	3
– Residential				56,241	56,241	56,241	56,241	–	–	–	–	–	–		
– Retail shops				2,927	2,927	2,927	1,043	1,884	–	–	–	–	–		
– Car parks				7,191	7,191	7,191	7,067	123	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				2,195	2,195	–	–	–	–	–	–	–	–		
Phase II	December 2008	March 2010	January 2012	121,087	121,087	116,880	113,620	3,260	–	–	–	–	–	100%	3
– Residential				90,409	90,409	90,409	90,409	–	–	–	–	–	–		
– Retail shops				4,831	4,831	4,831	4,831	–	–	–	–	–	–		
– Car parks				21,640	21,640	21,640	18,380	3,260	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				4,207	4,207	–	–	–	–	–	–	–	–		
Phase III	May 2011	September 2012	August 2014	63,222	63,222	63,038	56,818	6,220	–	–	–	–	–	100%	3
– Residential				13,675	13,675	13,675	13,675	–	–	–	–	–	–		
– Offices				37,436	37,436	37,436	37,436	–	–	–	–	–	–		
– Retail shops				4,289	4,289	4,289	4,289	–	–	–	–	–	–		
– Car parks				7,639	7,639	7,639	1,418	6,220	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				184	184	–	–	–	–	–	–	–	–		
Total for Qianlong Fine Art				252,862	252,862	246,276	234,789	11,487	–	–	–	–	–	100%	

Project	Actual/estimated construction commencement date *(note 1)*	Actual/estimated pre-sale commencement date *(note 2)*	Actual/estimated construction completion date *(note 3)*	Total GFA *(note 4)* *(approximate sq.m.)*	COMPLETED: GFA completed *(approximate sq.m.)*	COMPLETED: Total GFA saleable/ rentable/ car parks *(note 5)* *(approximate sq.m.)*	COMPLETED: GFA sold and pre-sold *(note 6)* *(approximate sq.m.)*	COMPLETED: Saleable/Car park GFA remaining unsold *(note 6)* *(approximate sq.m.)*	UNDER DEVELOPMENT: GFA under development *(approximate sq.m.)*	UNDER DEVELOPMENT: Total GFA saleable/ rentable/ car parks *(note 7)* *(approximate sq.m.)*	UNDER DEVELOPMENT: GFA pre-sold *(note 6)* *(approximate sq.m.)*	FUTURE DEVELOPMENT: GFA held for future development *(approximate sq.m.)*	FUTURE DEVELOPMENT: Total GFA saleable/ rentable/ car parks *(note 8)* *(approximate sq.m.)*	The Target Group's attributable interest in the project *(note 9)*	Reference to property valuation report *(property no.)*
Qianlong Premier Mansion (錢隆首府)															
Phase I	October 2011	February 2012	August 2014	100,292	100,292	99,953	99,295	658	–	–	–	–	–	100%	4
– Residential				95,016	95,016	95,016	94,913	104	–	–	–	–	–		
– Retail shops				353	353	353	353	–	–	–	–	–	–		
– Car parks *(note 6 & 11)*				4,584	4,584	4,584	4,030	554	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				339	339	–	–	–	–	–	–	–	–		
Phase II	March 2013	September 2014	December 2015	76,118	76,118	72,937	61,574	11,363	–	–	–	–	–	100%	4
– Residential				58,932	58,932	58,932	58,758	174	–	–	–	–	–		
– Car parks				14,005	14,005	14,005	2,816	11,188	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				3,181	3,181	–	–	–	–	–	–	–	–		
Total for Qianlong Premier Mansion				176,410	176,410	172,890	160,869	12,021	–	–	–	–	–	100%	
Qianlong Royal Family (錢隆世家)															
Phase I	April 2012	October 2012	December 2015	106,981	106,981	99,999	87,295	12,704	–	–	–	–	–	100%	5
– Residential				82,974	82,974	82,974	82,974	–	–	–	–	–	–		
– Retail shops				2,384	2,384	2,384	–	2,384	–	–	–	–	–		
– Car parks				14,640	14,640	14,640	4,320	10,320	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				6,982	6,982	–	–	–	–	–	–	–	–		
Phase II	September 2014	December 2014	December 2019	330,778	73,408	69,275	69,156	118	206,272	203,905	83,197	51,099	51,000	100%	5, 7, 9
– Residential				215,357	69,275	69,275	69,156	118	146,083	146,083	82,367	–	–		
– Retail shops				16,819	–	–	–	–	5,857	5,857	–	10,962	10,962		
– Hotel				15,136	–	–	–	–	–	–	–	15,136	15,136		
– Commercial apartments				22,831	–	–	–	–	–	–	–	22,831	22,831		
– Car parks				54,036	–	–	–	–	51,965	51,965	830	2,071	2,071		
– Ancillary facilities and others *(note 10)*				6,599	4,133	–	–	–	2,367	–	–	99	–		
Total for Qianlong Royal Family				437,760	180,389	169,274	156,451	12,822	206,272	203,905	83,197	51,099	51,000	100%	

Project	Actual/estimated construction commencement date *(note 1)*	Actual/estimated pre-sale commencement date *(note 2)*	Actual/estimated construction completion date *(note 3)*	Total GFA *(note 4)* *(approximate sq.m.)*	COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT		The Target Group's attributable interest in the project *(note 9)*	Reference to property valuation report
					GFA completed *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 5)* *(approximate sq.m.)*	GFA sold and pre-sold *(note 6)* *(approximate sq.m.)*	Saleable/Car park GFA remaining unsold *(note 6)* *(approximate sq.m.)*	GFA under development *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 7)* *(approximate sq.m.)*	GFA pre-sold *(note 6)* *(approximate sq.m.)*	GFA held for future development *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 8)* *(approximate sq.m.)*		*(property no.)*
Qianlong International (錢隆國際)															
Phase I	March 2016	August 2016	March 2017	30,732	30,732	30,623	3,166	27,457	–	–	–	–	–	100%	6
– Shopping mall				24,573	24,573	24,573	3,166	21,406	–	–	–	–	–		
– Car parks				6,051	6,051	6,051	–	6,051	–	–	–	–	–		
– Ancillary facilities and others *(note 10)*				108	108	–	–	–	–	–	–	–	–		
Phase II	September 2017	December 2017	June 2021	205,630	–	–	–	–	–	–	–	205,630	199,350	100%	10
– Residential				135,711	–	–	–	–	–	–	–	135,711	135,711		
– Offices				25,811	–	–	–	–	–	–	–	25,811	25,811		
– Retail shops				8,477	–	–	–	–	–	–	–	8,477	8,477		
– Car parks				29,350	–	–	–	–	–	–	–	29,350	29,350		
– Ancillary facilities and others *(note 10)*				6,280	–	–	–	–	–	–	–	6,280	–		
Total for Qianlong International				236,362	30,732	30,623	3,166	27,457	–	–	–	205,630	199,350	100%	
Fullsun International Financial Centre (福晟國際金融中心)	March 2016	November 2016	December 2017												8
– Offices				80,533	–	–	–	–	80,533	80,533	1,238	–	–		
– Shopping mall				48,520	–	–	–	–	48,520	48,520	–	–	–		
– Car parks				30,203	–	–	–	–	30,203	30,203	–	–	–		
– Ancillary facilities and others *(note 10)*				4,605	–	–	–	–	4,605	–	–	–	–		
Total for Fullsun International Financial Centre				163,861	–	–	–	–	163,861	159,256	1,238	–	–	100%	

Notes:

* Any discrepancies in the table between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

(1) The actual construction commencement date is based on the construction work commencement permits of the first building or basement of the whole phase. Estimated construction commencement date is based on the Target Group's current estimation.

(2) The actual pre-sale commencement date is based on the date of the pre-sale permits of the first building of the whole phase. For projects which the Target Group had not obtained pre-sale permits, the estimated pre-sale commencement date is based on the Target Group's project plans.

(3) The construction completion date represents the completion date of the whole phase. Certain properties within the phase may have been completed before that date. Actual construction completion date is based on the completion and acceptance certificate. Estimated construction completion date is based on the Target Group's current estimation.

(4) Total GFA includes saleable/rentable areas, car parks and ancillary facilities and other areas which are non-saleable/rentable.

(5) Total GFA saleable/rentable/car parks completed is based on the actual GFA measurement report (房地產勘測報告書) or other relevant documents, depending on which documents are available and most up to date.

(6) GFA sold and pre-sold and saleable/car park remaining unsold have been derived from the Target Group's internal record. Saleable/car park GFA remaining unsold is derived from total GFA saleable/rentable/car park less GFA sold and pre-sold, which does not include the GFA of any properties that were pre-sold and subject to the sale and purchase agreement but not yet delivered. Part of the car parks include civil air defense spaces which the Target Group had entered into contracts to transfer the right to use such spaces to customers for use as car parks. GFA sold and pre-sold in this section takes such transfer into account.

(7) Total GFA saleable/rentable/car parks under development is based on the predicted GFA measurement report (商品房建築面積預測報告書) or other relevant documents, depending on which documents are available and most up to date.

(8) Total GFA saleable/rentable/car parks held for future development is based on the GFA review table (建築面積覆核表), the preliminary master plan (規劃總平面圖) as at 31 July 2017 or other relevant documents, depending on which documents are available and most up to date.

(9) The Target Group's attributable interest in the project is based on the Target Group's effective equity interest in the respective project companies.

(10) Ancillary facilities and others include ancillary facilities, public areas and stilt floor (if any).

(11) Car parks in Phase I of Qianlong Premier Mansion include civil air defense spaces which the Target Group had entered into contracts to transfer the right to use such spaces to customers for use as car parks. As at 31 July 2017, the GFA of car parks remaining unsold was approximately 554 sq.m., which was lower than the GFA of civil defense in basement as disclosed in the "Property valuation of the Target Group" in Appendix VI to this circular due to the different interpretation of GFA sold and pre-sold by the Property Valuer. The Property Valuer considers a parking lot sold only when the ownership title of the parking lot has been transferred to the customer.

Please refer to the section headed "Business of the Target Group — 4. Property Development Projects of the Target Group" in this circular for further details of the property portfolio of the Target Group as at 31 July 2017.

5.2 Competitive strengths

The proposed Directors believe that the principal competitive strengths of the Restructured Group will include (i) geographical and market advantages of Changsha; (ii) experienced management teams; (iii) established reputation and corporate recognition; and (iv) focus on mid-market development projects.

5.3 Strategies and future plans

The Restructured Group intends to seek sustainable growth by pursuing the following principal strategies:

- continue to acquire land for residential and commercial property development in prime locations in cities with high economic growth potential, in particular the first and second tier cities in the PRC;
- strengthen its corporate recognition and presence in the property market;
- continue to develop existing property development projects and acquire land reserves to sustain future growth;
- diversify the Restructured Group's income stream by expanding into developing and managing investment property; and
- attract, retain and motivate talented personnel by offering competitive remuneration packages.

5.4 Customers

The customers of the Target Group are primarily individual purchasers in the PRC. During the years ended 31 December 2015 and 2016, the Target Group also had corporate customers which contributed a significant portion of its revenue. For the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017, the total revenue attributable to the five largest customers of the Target Group amounted to approximately RMB18.5 million, RMB130.6 million, RMB75.3 million and RMB18.1 million respectively, representing approximately 1.6%, 13.9%, 9.8% and 13.2% of the total revenue of the Target Group respectively. The Target Group's five largest customers for the year ended 31 December 2015 and the largest customer for the year ended 31 December 2016 were corporate customers principally engaged in construction or related business, construction material, trading or investment. The largest customer of the Target Group for the years ended 31 December 2015 and 2016 contributed approximately 5.2% and 5.9%, respectively, of the Target Group's revenue. Further details of the Target Group's major customers are set out in the section headed ''Business of the Target Group — 7. Customers'' in this circular.

5.5 Suppliers

The major suppliers of the Target Group consist of (i) main construction contractors for construction of buildings and civil engineering works; (ii) specialised contractors for fire protection works, landscaping and gardening works, power supply installation and distribution engineering works and natural gas pipeline facilities; and (iii) external design firms which are responsible for engineering design of the Target Group's property development projects. For the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017,

payments to the five largest suppliers of the Target Group amounted to approximately RMB147.4 million, RMB111.7 million, RMB388.3 million and RMB131.5 million respectively, representing approximately 66.2%, 58.7%, 88.1% and 92.7% of the total payments under the Target Group's contracts with third party suppliers, respectively. Further details of the Target Group's major suppliers are set out in the section headed "Business of the Target Group — 8. Suppliers" in this circular.

6. SELECTED FINANCIAL INFORMATION OF THE TARGET GROUP

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

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	1,137,733	942,791	768,363	284,051	136,822
Gross profit	206,433	258,670	192,243	71,442	99,065
Profit and total comprehensive income for the year/period	86,828	122,729	66,752	24,239	51,163

6.2 Selected data in the consolidated statements of financial position

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Total current assets	2,517,073	2,644,456	2,655,272	2,831,154
Total current liabilities	1,198,293	1,768,706	840,291	1,470,352
Net current assets	1,318,780	875,750	1,814,981	1,360,802
Total non-current liabilities	1,207,611	671,865	1,548,972	1,051,776
Total assets	2,554,208	2,688,514	2,703,958	2,887,986
Net assets	148,304	247,943	314,695	365,858

Total equity (net assets)

The Target Group's total equity increased from approximately RMB148.3 million as at 31 December 2014 to approximately RMB247.9 million as at 31 December 2015, mainly attributable to its profitable operations. The Target Group's total equity further increased from approximately RMB247.9 million as at 31 December 2015 to approximately RMB314.7 million as at 31 December 2016 primarily because of its business profitability. The Target Group's

total equity further increased from RMB314.7 million as at 31 December 2016 to approximately RMB365.9 million as at 30 April 2017 primarily due to its business profitability.

6.3 Summary of consolidated statements of cash flows

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash and cash equivalents at the beginning of year/period	185,397	53,395	213,261	213,261	260,304
Net cash flows (used in)/from operating activities	(459,593)	429,032	425,552	119,752	132,981
Net cash flows (used in)/from investing activities	(1,690,113)	(27,076)	(5,257)	550	(7,015)
Net cash flows (used in)/from financing activities	2,017,704	(242,090)	(373,252)	115,319	(30,836)
Net (decrease)/increase in cash and cash equivalents	(132,002)	159,866	47,043	235,621	95,130
Cash and cash equivalents at the end of year/period, represented by bank balances and cash	53,395	213,261	260,304	448,882	355,434

During the Track Record Period, the Target Group had negative operating cash flows of approximately RMB459.6 million for the year ended 31 December 2014. Such a situation was mainly due to the costs associated with the commencement of two projects, namely Qianlong International and Fullsun International Financial Centre, which had generated significant net cash outflows mainly due to the payment of land costs during the year ended 31 December 2014 for land acquisitions. The proposed Directors believe that the Target Group's negative operating cash flows during the year ended 31 December 2014 were mainly due to the capital intensive nature of the Target Group's business. For the years ended 31 December 2015, 2016 and the four months ended 30 April 2016 and 2017, the Target Group had positive operating cash flows of approximately RMB429.0 million, RMB425.6 million, RMB119.8 million and RMB133.0 million, respectively.

Please refer to the section headed "Financial Information of the Target Group — 8. Liquidity and capital resources — 8.1 Cash flows" in this circular for further details.

6.4 Key financial ratios

	As at/For the year ended 31 December			As at/For the four months ended 30 April
	2014	2015	2016	2017
Gross profit margin	18.1%	27.4%	25.0%	72.4%
Net profit margin before interest and tax	14.0%	24.7%	18.6%	62.6%
Net profit margin	7.6%	13.0%	8.7%	37.4%
Current ratio	2.1 times	1.5 times	3.2 times	1.9 times
Quick ratio	0.1 times	0.2 times	0.4 times	0.3 times
Gearing ratio	1,187.9%	693.3%	487.8%	420.0%
Debt to equity ratio	1,151.9%	607.3%	405.1%	322.9%
Interest coverage	124.6 times	542.5 times	6.4 times	N/A
Return on assets	3.4%	4.6%	2.5%	5.3%
Return on equity	58.5%	49.5%	21.2%	42.0%

6.4.1 Gearing ratio

Gearing ratio decreased from approximately 1,187.9% as at 31 December 2014 to approximately 693.3% as at 31 December 2015 mainly due to (i) the decrease in borrowing of approximately RMB42.8 million for financing the construction and development of property projects; and (ii) the increase in total equity of approximately RMB99.6 million mainly due to the profitable operations. Gearing ratio further decreased to approximately 487.8% as at 31 December 2016 primarily because of (i) the decrease in the balance of borrowings by approximately 10.7% or RMB183.8 million from approximately RMB1,718.9 million as at 31 December 2015 to approximately RMB1,535.1 million as at 31 December 2016; and (ii) the increase in total equity of approximately RMB66.8 million due to the Target Group's business profitability. Gearing ratio further decreased to approximately 420.0% as at 30 April 2017 primarily because of the increase in total equity of approximately RMB51.2 million due to the Target Group's business profitability.

6.4.2 Debt to equity ratio

In line with the gearing ratio, the debt to equity ratio decreased from approximately 1,151.9% as at 31 December 2014 to approximately 607.3% as at 31 December 2015 which is mainly due to (i) the decrease in borrowing of approximately RMB42.8 million; (ii) the increase in bank balances and cash of approximately RMB159.9 million; and (iii) the increase in equity of approximately RMB99.6 million mainly due to the profitable operations. The debt to equity ratio further decreased to approximately 405.1% as at 31 December 2016, primarily because of (i) the decrease in the balance of borrowings by approximately 10.7% or RMB183.8 million from approximately RMB1,718.9 million as at 31 December 2015 to approximately RMB1,535.1 million as at 31 December 2016; (ii) the increase in bank balances and cash of

approximately RMB47.0 million; and (iii) the increase in equity of approximately RMB66.8 million due to profitable operations. The debt to equity ratio further decreased to approximately 322.9% as at 30 April 2017, primarily because of (i) the increase in bank balances and cash of approximately RMB95.1 million; and (ii) the increase in total equity of approximately RMB51.2 million due to the Target Group's business profitability.

6.5 Results of operations

The following table sets forth certain details of 6 active properties sold and delivered during the periods indicated, including revenue, GFA delivered and ASP:

	For the year ended 31 December									For the four months ended 30 April					
	2014			2015			2016			2016			2017		
	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP
	RMB'000	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000* (unaudited)	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*
Projects															
Qianlong Academy	56,010	10,562	5,303	12,976	3,430	3,784	8,336	4,578	1,821	1,286	847	1,518	2,045	1,069	1,913
Qianlong Fine Art	215,359	30,457	7,071	342,497	29,450	11,630	113,532	10,644	10,666	62,601	4,174	14,997	27,417	1,307	20,970
Qianlong Premier Mansion *(Note 2)*	723,156	89,266	8,101	366,125	44,761	8,180	199,837	25,759	7,758	170,127	21,741	7,825	(690)	(54)	12,774
Qianlong Royal Family	134,053	26,006	5,155	219,612	42,881	5,121	446,658	83,707	5,336	50,037	5,987	8,358	18,516	2,397	7,724
Qianlong International	–	–	–	–	–	–	–	–	–	–	–	–	89,533	2,339	38,271
Fullsun International Financial Centre	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,128,578	156,292	7,221	941,210	120,521	7,810	768,363	124,688	6,162	284,051	32,749	8,673	136,822	7,060	19,381

Notes:

(1) The ASP is derived by dividing revenue from sales of properties by GFA delivered in the same period. Any discrepancies in the table between totals and sums of amounts listed therein, and between the amount of ASP and the division of the amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items, and the ASP may not be equal to the division of the individual items.

During the Track Record Period, the fluctuation in the ASP of the Target Group's properties depends on a number of factors including, among others, the product mix of GFA delivered, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. In addition to the aforementioned factors affecting the ASP's fluctuations, the difference in ASP for the Track Record Period is attributable to unquantifiable factors including but not limited to location, floor, availability of view and quality of units delivered in the relevant period.

(2) The negative revenue recognised and GFA delivered from Qianlong Premier Mansion for the four months ended 30 April 2017 is mainly derived from the amount of approximately RMB1.2 million refunded to the respective customers due to the difference between the pre-sold GFA of the properties and the delivered GFA of the properties for the residential units of Qianlong Premier Mansion for the period concerned.

(3) Please refer to the section headed "Financial information of the Target Group — 6. Principal components of results of operations — 6.1 Revenue" in this circular for the management discussion of the period-to-period comparison of the ASP of the Target Group's properties.

During the Track Record Period, the Target Group experienced fluctuations in its results of operations, including revenue, gross profit and net profit. These fluctuations were mainly attributable to the GFA completed and delivered in each of the reporting periods. As the Target Group only had a few projects during the Track Record Period, the development stage of each of its projects would have significant impact on the Target Group's results of operations.

The Target Group's gross profit margin increased from approximately 18.1% for the year ended 31 December 2014 to approximately 27.4% for the year ended 31 December 2015. The increase in gross profit margin was mainly attributable to the comparative higher ASP from the delivery of retail shops in Qianlong Fine Art during the year ended 31 December 2015. The Target Group's gross profit margin decreased to approximately 25.0% for the year ended 31 December 2016, as compared to the gross profit margin of approximately 27.4% for the year ended 31 December 2015. The decrease in gross profit and gross profit margin is mainly attributable to the increase in proportion of revenue generated from the residential units in Qianlong Royal Family which were delivered during the year ended 31 December 2016 and had a lower ASP as compared to the ASP of the units delivered from other projects during the year ended 31 December 2015. The Target Group's gross profit margin increased to approximately 72.4% for the four months ended 30 April 2017, as compared to the gross profit margin of approximately 25.2% for the four months ended 30 April 2016. The increase in gross profit and gross profit margin is mainly attributable to (i) the increase in proportion of revenue generated from the commercial units in Qianlong International which were delivered during the four months ended 30 April 2017 and had a higher ASP as compared to the ASP of the units delivered from other project during the four months ended 30 April 2016; and (ii) the decrease in cost of sales for the period.

The net profit margin increased significantly from approximately 7.6% for the year ended 31 December 2014 to approximately 13.0% for the year ended 31 December 2015. The increase in the net profit margin was mainly attributable to (i) the increase in gross profit margin for the year ended 31 December 2015; and (ii) the decrease in revenue for the year ended 31 December 2015. The net profit margin decreased from approximately 13.0% for the year ended 31 December 2015 to approximately 8.7% for the year ended 31 December 2016, mainly because of (i) the decrease of other income and gains due to lower rental income from lease of completed properties held for sales generated for the year ended 31 December 2016; and (ii) significant increase of finance cost for the year ended 31 December 2016 due to less interest expenses capitalised in this period compared with the year ended 31 December 2015. The net profit margin increased significantly from approximately 8.7% for the year ended 31 December 2016 to approximately 37.4% for the four months ended 30 April 2017. Such increase was mainly due to (i) the increase in gross profit margin for the year ended 30 April 2017; and (ii) the decrease in revenue for the four months ended 30 April 2017 on an annualised basis as compared to the year ended 31 December 2016. Further details of the Target Group's gross profit margin are set out in the section headed "Financial information of the Target Group — 6 Principal components of results of operations — 6.3 Gross profit and gross profit margin" in this circular.

6.6 Working capital

During the Track Record Period, the Target Group had met its working capital requirements principally through a combination of internal cash resources, cash generated from operating activities, shareholders' contributions and bank and other borrowings. The Target Group closely monitors and manages, among others, (i) the level of inventory of properties; (ii) the deposits received for sale of properties; and (iii) the ability to obtain external financing for the property development projects. The Target Group reviews its future cash flow requirements, assesses its ability to meet the loan repayment schedules and adjusts its financing plans to maintain sufficient working capital to support business operations and expansion plans.

During the Track Record Period, the Target Group had negative operating cash flows of approximately RMB459.6 million for the year ended 31 December 2014. Such a situation was mainly due to the costs associated with the commencement of two projects, namely Qianlong International and Fullsun International Finance Centre, which had generated significant net cash outflows mainly due to the payment of land costs during the year ended 31 December 2014 for land acquisitions. The proposed Directors believe that the Target Group's negative operating cash flows during the year ended 31 December 2014 were mainly due to the capital intensive nature of the Target Group's business. For the years ended 31 December 2015, 2016 and the four months ended 30 April 2016 and 2017, the Target Group had positive operating cash flow of approximately RMB429.0 million, RMB425.6 million, RMB119.8 million and RMB133.0 million, respectively. For further details of the Target Group's working capital, please refer to the section headed ''Financial information of the Target Group — 16. Working capital'' in this circular.

7. SELECTED UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per share of the Restructured Group as at 31 March 2017 are set out below as extracted from the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular:

	Unaudited pro forma consolidated net assets of the Group *HK$'000 Note 1*	**Less: Intangible assets included in disposal groups classified as held for sale** *HK$'000 Note 2*	**Unaudited pro forma consolidated net tangible assets of the Group** *HK$'000*	**Unaudited pro forma consolidated net tangible assets of the Group per share** *HK$ Note 3*	**Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group** *HK$'000 Note 4*	**Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share** *HK$ Note 5*
Consolidated net tangible assets attributable to owners of the Company	115,665	(877)	114,788	0.09	1,374,349	0.13

Notes:

(1) The unaudited pro forma consolidated net assets of the Group as at 31 March 2017 is based on the amount of unaudited consolidated net assets attributable to the owners of the Company as at 31 March 2017, which is extracted from the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2017.

(2) The adjustment reflects the exclusion of the intangible assets of the Group as at 31 March 2017.

(3) The number of shares used for the calculation of the unaudited pro forma consolidated net tangible assets of the Group per share is 1,321,682,525, being the number of shares in issue as at 31 March 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group as at 31 March 2017 is based on the amount of the unaudited pro forma consolidated net assets attributable to the owners of the Company as at 31 March 2017, which is extracted from the unaudited pro forma consolidated statement of financial position of the Restructured Group of approximately HK$1,374,349,000.

(5) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share is 10,464,022,525 after completion of the Proposed Restructuring as at 31 March 2017 as described as follows:

	Number of Ordinary shares issued	**Nominal value** *HK$'000*
At 31 March 2017	1,321,682,525	13,217
Issue of shares upon Share Placing	2,727,280,000	27,273
	4,048,962,525	40,490
Issuance and allotment of Consideration Shares	6,415,060,000	64,151
The pro forma issued share capital of the Restructured Group	10,464,022,525	104,641

(6) Apart from the above, no adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Restructured Group entered into subsequent to 31 March 2017 where applicable.

On the basis and assumptions set out in Appendix V to this circular and assuming the Proposed Restructuring had been completed on 1 April 2016, the unaudited pro forma profit for the year attributable to the owners of the Restructured Group for the year ended 31 March 2017 is as follows:

	HK$'000
The Group	
Profit/(loss) for the year attributable to Owners of the Company	(4,286)
Alfreda Disposal Group	
Estimated unaudited loss on Alfreda Disposal	(923)
Elimination of results *(Note 1)*	4
UR Disposal Group	
Estimated unaudited gain on UR Disposal	4,347
Elimination of results *(Note 1)*	(1,634)
Estimated cost of the CB Placing *(Note 2)*	(18,304)
The Target Group	
Profit/(loss) for the year attributable to Owners of the Company	77,910
Total transaction related expenses	(23,891)
Impairment on goodwill *(Note 3)*	(277,193)
The Restructured Group	
Profit/(loss) for the year attributable to Owners of the Company	(243,970)

Notes:

(1) The eliminations represent the elimination of the results of Alfreda Limited and UR Group Limited respectively for the period from 1 April 2016 to 31 March 2017 on the basis that the results of the Restructured Group for the year then ended would be reflected in its consolidated financial statements as if the transactions in relation to the Proposed Restructuring had been taken place on 1 April 2016.

These adjustments are not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(2) The estimated cost reflects the effect of the proposed CB Placing of 909,090,800 Conversion Shares have been issued at the conversion price of HK$0.22 each by the Company, the accounting treatments for the Convertible Bonds with its assuming fair value of HK$200,000,000 to not less than six investors. The net proceeds of approximately HK$199,000,000 have been deducted by the estimated underwriting commission fee at a rate of 0.5%. The Convertible Bond at 31 March 2017 is the present value of its principal of approximately HK$199,000,000 by using the effective interest rate of 9.19%.

The final valuation of the CB Placing to be recognised at actual Completion may be different from the amounts stated herein. Such potential valuation difference (or a fair value change, if any) is not expected to have a material impact on the pro forma financial performance and position of the Restructured Group for the financial year ending 31 March 2018.

Further details of the profit estimate of the Restructured Group for the year ended 31 March 2017 has been disclosed under the paragraph headed "B. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Restructured Group for the year ended 31 March 2017" in the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular.

(3) The impairment of goodwill reflects the management's assessment on the recoverable amount of the cash generating unit comprising the goodwill which arised from the Acquisition. Further details on the calculation of the goodwill arising from the Acquisition and the impairment of goodwill have been disclosed under the paragraph headed "B. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Restructured Group for the year ended 31 March 2017" in the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular.

8. PROPERTY VALUATION OF THE TARGET GROUP AS AT 31 JULY 2017

As at 31 July 2017, the aggregate appraised market values attributable to the Target Group in respect of completed property held for occupation, completed properties held for sale, properties under development and properties held for future development were approximately RMB510,000, RMB532,000,000, RMB2,765,000,000 and RMB613,000,000, respectively. In valuing the properties of the Target Group, DTZ has used the direct comparison approach by making reference to comparable sales transactions/evidence as available in the relevant market.

The following information on the valuation of the Target Group's properties is extracted from the "Property valuation of the Target Group" in Appendix VI to this circular.

Property	**Market value in existing state attributable to the Target Group as at 31 July 2017** *RMB*
Group I — completed property held for occupation	
1. Office and car park space in Wanda Plaza	510,000
Group II — completed properties held for sale	
2. Unsold portion of Qianlong Academy	1,000,000
3. Unsold portion of Qianlong Fine Art	66,000,000
4. Unsold portion of Qianlong Premier Mansion	36,000,000
5. Unsold portion of Qianlong Royal Family	95,000,000
6. Unsold portion of Qianlong International	334,000,000
Group III — properties under development	
7. Under development portion of Qianlong Royal Family	739,000,000
8. Under development portion of Fullsun International Financial Centre	2,026,000,000
Group IV — properties held for future development	
9. Development site for the proposed development of Qianlong Royal Family	152,000,000
10. Development site for the proposed development of Qianlong International	461,000,000
Total	3,910,510,000

Please refer to the "Property valuation of the Target Group" in Appendix VI to this circular for further information. Please also refer to the section headed "Risk factors — 2. Risks relating to the business of the Restructured Group — 2.3 The appraised value of the properties in the valuation reports may be different from the actual realisable value and is subject to change" in this circular for information on the risks associated with the valuation of the properties of the Target Group.

9. RECENT DEVELOPMENTS SINCE 30 APRIL 2017

9.1 Recent developments of the Target Group

The Target Group's business model remained unchanged and the revenue and cost structure remained stable subsequent to 30 April 2017 when compared with the Track Record Period. Subsequent to 30 April 2017, the construction work of the Target Group mainly related to the property projects of Fullsun International Financial Centre and Phase 2 of Qianlong Royal Family which are expected to be completed in 2017 and 2019.

Based on the Target Group's internal records, the Target Group has contracted sales of approximately RMB239.4 million for the three months ended 31 July 2017 in respect of the sale of properties of Phase 2 of Qianlong Royal Family which will be delivered to the customers in 2018 to 2019. In addition, the Target Group continued to deliver the remaining commercial units of Phase 1 of Qianlong International to the customers with the delivered saleable areas of approximately 826.4 sq.m. for the three months ended 31 July 2017.

The Changsha government has been shrinking the supply of land for office use and the proposed Directors foresee a shortage in supply of land for commercial and office use in Changsha. Accordingly, the proposed Directors expect a rise in prices for offices in the future and therefore, office spaces in Fullsun International Finance Centre and Qianlong International which originally planned for commencement of pre-sale in November 2016 has been postponed to 2017. Due to changes in market situation for residential properties in Changsha, the proposed Directors consider that the sales of residential properties of the Target Group should increase in the short term. Accordingly, sale of Qianlong Royal Family originally scheduled for 2017 has been advanced to 2016.

As stated in the "Industry overview" in Appendix I to this circular, the market has fluctuated within a foreseeable range, and the market players have taken measures to maintain their business. The recent economic downturn has certain negative impact on the PRC property market especially on high-end residentials, but the influence is limited to rigid demand of residential market. However, with the announcement of restriction policies by some rapidly growing tier-one and tier-two cities, the investors have turned to other tier-two cities. Changsha is one of the tier-two cities that will benefit from those policies announcement, and can attract more investors. Having considered that (i) Changsha is not one of the cities subject to restriction policies; and (ii) the overall change in the ASP of the Target Group from approximately RMB7,810/sq.m. during the year ended 31 December 2015 to approximately RMB6,162/sq.m. during the year ended 31 December 2016 was mainly the result of changes in product mix with a shift to delivery of comparatively lower ASP products during the year ended 31 December 2016, the proposed Directors consider that the impact of the recent economic downturn in the PRC on the Target Group is not significant.

9.2 Effect of PRC taxes on the Target Group

As mentioned in the "Regulatory overview" in Appendix II to this circular, pursuant to the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) which was promulgated by the Ministry of Finance and the SAT on 23 March 2016 and became effective on 1 May 2016, since 1 May 2016, the government will levy value added tax in lieu of business tax on a trial basis within the territory of the PRC, and any taxable activities of taxpayers shall be subject to a tax rate of 6% except for taxpayers providing transportation, postal, telecommunication, construction, real estate leasing service, selling real estate, transferring land use right, leasing services of tangible personal property, and any cross-border taxable activity conducted by an entity or individual within the territory.

The impact on the business operation of the Target Group in respect of above-mentioned regulatory change is on the sale and leasing of real estate.

In respect of the sale of immovable property and the transfer of land use right, the applicable business tax rate before 1 May 2016 was 5%, while the applicable value added tax rate after 1 May 2016 is 11% (with a tax base different from the prior arrangement). However, ordinary taxpayers may opt for either general tax calculation method or simplified tax calculation method upon the disposal of their old real estate project or old immovable property (the real estate project with contracted construction commencement date stated in the construction permit prior to 30 April 2016). If the general tax calculation method is selected, the applicable value added tax rate will be 11%; if the simplified tax calculation method is selected, the applicable value added tax rate will be 5% (with a tax base different from general tax calculation). In respect of the sale of immovable property which is developed by ordinary taxpayers with a contracted construction commencement date stated in the construction permit after 1 May 2016, the applicable value added tax rate is 11% (with a tax base different from the prior arrangement).

In respect of the leasing services of immovable property, the applicable business tax rate before 1 May 2016 was 5%, while the applicable value added tax rate after 1 May 2016 is 11% (with a tax base different from the prior arrangement). However, ordinary taxpayers may opt for either general tax calculation method or simplified tax calculation method upon leasing out the immovable property acquired by them prior to 30 April 2016 under operating leases. If the general tax calculation method is selected, the applicable value added tax rate will be 11%; if the simplified tax calculation method is selected, the applicable value added tax rate will be 5% (with a tax base different from general tax calculation). In respect of the leasing services of immovable property which is acquired by ordinary taxpayers after 1 May 2016, the applicable value added tax rate is 11% (with a tax base different from the prior arrangement).

Please refer to the paragraph headed "B. Major taxes applicable to property developers — (b) Business Tax and Value Added Tax" in the "Regulatory overview" in Appendix II to this circular for more information.

As per the Target Group's internal assessment and after having considered the different tax bases adopted, the proposed Directors consider that the regulatory change about transfer from business tax to value added tax after 1 May 2016 has minimal impact on the Target Group's business operations. Based on (i) the opinion given by the Tax Adviser after having conducted an analysis on the financial impact on the Target Group's projects arising out of the tax reform; and (ii) an article published by a professor at Shanghai University of Finance and Economics (上海財經大學) in the magazine Modern Accounting (新會計) in July 2016 which states that the tax reform is expected to lower taxes paid by enterprises, including those in property sector, the Sponsor is of the view that the possible financial impact on the Target Group's business operations is not significant.

9.3 No material adverse change

The proposed Directors confirm that, save as disclosed above, there has been no material adverse change in the Target Group's business operations, financial position or prospects since 30 April 2017 (being the date to which the last audited financial statements of the Target Group were prepared) and up to the date of this circular, and there is no event since 30 April 2017 and up to the date of this circular which would materially affect the information shown in the "Accountants' report on the Target Group" in Appendix III to this circular. So far as the proposed Directors are aware, there has been no material change in the general condition of the real estate industry in which the Target Group operates which has materially and adversely affected the Target Group's results of operations or financial condition since 30 April 2017 and up to the date of this circular.

10. REASONS AND BENEFITS OF THE ACQUISITION

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

(i) The Board has continuously been exploring different investment opportunities. Through the Acquisition, the Company can acquire the well-established businesses of the Target Group in the PRC;

(ii) As set out in the recent financial report of the Group, the Group experienced a decline in its garment retail business due to the weak domestic garment market and the emergence of internet retail business in China;

(iii) In light of the weak prospect of wholesaling and retailing of garment business presently carried on by the Group and the various challenges and uncertainties lied ahead in the retailing industry under the current global macro-economic environment, the Acquisition allows the scope of business of the Group to be replaced and the quality assets proposed to be acquired are expected to enhance the Company's value to the Shareholders; and

(iv) The settlement of the consideration under the SP Agreement through the issue of Consideration Shares allows the Company to minimise its funding costs.

Based on the above, the Board is of the view that the Acquisition presents an excellent opportunity for the Group to further expand its business portfolio to include and participate in the property business in the PRC with a view to forming a solid foundation for the Group to further enhance returns to the Shareholders.

In consideration of the above, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view that the terms of the SP Agreement, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

11. REASONS AND USE OF PROCEEDS OF THE PLACING

On 20 October 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place (i) an aggregate of 2,727,280,000 Placing Shares at HK$0.22 per Placing Share, on a best effort basis, to not less than six Share Placees who and whose ultimate beneficial owners are Independent Third Parties; and (ii) the Convertible Bonds with an aggregate principal amount of not more than HK$200,000,000 at an initial price of HK$0.22 per Conversion Share (subject to adjustments) on a best effort basis, to the CB Placees, who and whose ultimate beneficial owners are Independent Third Parties, during the Placing Period.

The Company and the Vendor have agreed, and are intended, to broaden the shareholders base of the Company through the Share Placing and CB Placing riding on the Acquisition.

Assuming both the Placing Shares and the Convertible Bonds are fully placed, the expected amounts to be raised are approximately HK$600 million and approximately HK$200 million respectively.

It is estimated that the aggregate net proceeds from the Share Placing and the CB Placing (after deducting estimated expenses in connection with the Share Placing and the CB Placing) and the Disposals (the "**Net Proceeds**") will be approximately HK$866.2 million. The Net Proceeds is expected to be applied in the following manner:

— Approximately HK$100.0 million for paying the Vendor to settle the cash and/or the Promissory Note in respect of the Acquisition;

— Approximately HK$450.0 million for investing in new property development project(s) in Changsha. As at the Latest Practicable Date, neither the Company nor the Vendor has entered into agreements with any parties in this respect;

— Approximately HK$250.0 million for reducing future finance expenses of the Restructured Group by repaying certain borrowings; and

— Approximately HK$66.2 million will be applied to the general working capital of the Restructured Group.

The proposed Directors confirm that as at the Latest Practicable Date (i) there is no concrete plans for the Restructured Group's new property development project(s) in Changsha; (ii) in the event that the CB Placing is undersubscribed, the amount of shortfall will be deducted from the investment in new property development project(s) in Changsha; and (iii) under such circumstances, the Restructured Group is expected to have sufficient internal resources (together with the proceeds from the Share Placing) for the initial investment of new property development project(s) in Changsha so the impact of undersubscription in the CB Placing is not expected to have a material adverse impact on the Restructured Group's future expansion.

12. INTENTION OF THE VENDOR IN RELATION TO COMPOSITION OF THE BOARD

The Board is currently made up of five Directors, namely (i) Mr. Tang Kwok Hung and Mr. Ng Cheuk Fan, Keith as executive Directors; and (ii) Mr. Xie Tom, Mr. Mak Ka Wing, Patrick and Mr. Chan Chi Yuen as independent non-executive Directors. Upon SP Completion having taken place, the Vendor will become the controlling Shareholder. In view that the Company's principal business will undergo a substantial change following SP Completion, it is the intention of the Vendor to change the composition of the Board to be in line with the new principal business of the Restructured Group. It is currently expected that Mr. Ng Cheuk Fan, Keith, an executive Director, Mr. Chan Chi Yuen and Mr. Xie Tom, each an independent non-executive Director shall resign while Mr. Tang Kwok Hung, the other executive Director, together with Mr. Mak Ka Wing, Patrick, one of the existing independent non-executive Directors, shall remain on the Board upon SP Completion. In addition, the Vendor is expected to appoint five new executive Directors and two new independent non-executive Directors upon SP Completion. Please refer to the section headed "Directors and senior management of the Restructured Group" in this circular for further details of the existing Directors and the proposed Directors.

13. RISK FACTORS

The Restructured Group's business faces risks including those set out in the section headed "Risk factors" in this circular. Some of the material risks relating to the business of the Restructured Group and property development in the PRC include:

(i) the capital-intensive nature of the business;

(ii) whether the Restructured Group is able to obtain sites that are suitable for property development and acquire sufficient land reserves at reasonable costs;

(iii) increases in construction and development costs may have an adverse impact on the Restructured Group's results of operations;

(iv) the Restructured Group's dependence on the performance of the real estate markets in the PRC;

(v) the regulatory landscape that has or may have an impact on the property industry; and

(vi) failure to repay and/or repurchase the equity interests under other financing with repurchase obligation by the Restructured Group may affect the business, results of operations and financial condition of the Restructured Group.

The Target Group maintains a certain level of indebtedness, of which a large proportion is secured by certain property development projects. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group had total borrowings of approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million, respectively. Furthermore, the Target Group had gearing ratio and debt to equity ratio of approximately 420.0% and 322.9%, respectively, as at 30 April 2017. The Target Group's gearing ratio and debt to equity ratio remained at high levels during the Track Record Period mainly due to (i) high levels of borrowings; and (ii) lowered equity mainly due to the acquisition of additional/full interests of subsidiaries under common control due to the reorganisation of the Target Group. Please refer to the section headed "Financial information of the Target Group — 15. Indebtedness" in this circular for further details of the Target Group's indebtedness position.

The property development business is capital intensive, and typically requires substantial capital contribution for land acquisition and property development. The Target Group also had the commitments for property development contracted for but not provided in the financial information of approximately RMB302.5 million, RMB189.7 million, RMB532.7 million and RMB578.3 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. Please refer to the section headed "Financial information of the Target Group — 13. Commitments" in this circular for further details of the Target Group's commitment positions.

The Restructured Group's ability to repay the principal and interest on its borrowings and to service its commitments depends substantially on the cash flow and results of operations of its operating subsidiaries, which depend in part upon the social, political, economic, legal and other risks described herein, most of which are beyond its control. There is no assurance that the Restructured Group will be able to record positive operating cash flow in the future. Any decline or under-performance of the Restructured Group's pre-sale, sale or leasing activities and any other matter adversely impacting the net cash inflow of the Restructured Group could significantly affect its cash flow position. The Restructured Group may have difficulty in securing additional financing, and its working capital for the purpose of its business operations and expansions may be insufficient. There can be no assurance that the Restructured Group will always be able to raise the necessary funding to finance its commitments.

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

For details of all the risks faced by the Restructured Group, please refer to the section headed "Risk factors" in this circular.

14. CONTINUING CONNECTED TRANSACTIONS

Upon SP Completion, Mr. Pan and Tongda will be the controlling shareholders, and they and their respective associates will constitute connected persons of the Company. Due to a financing arrangement as disclosed in the section headed "Continuing connected transactions" in this circular, Daye Trust will become a substantial shareholder of Hunan Fullsun, i.e. a connected person of the Company at the subsidiary level, upon SP Completion. Any transactions between the Restructured Group and Mr. Pan, Tongda, Daye Trust or their respective associates will constitute connected transactions or continuing connected transactions upon SP Completion. Currently, there are transactions between the Target Group and the associates of Mr. Pan and Daye Trust which are expected to continue after the SP Completion. For further details, please refer to the section headed "Continuing connected transactions" in this circular.

15. SPONSOR, JOINT FINANCIAL ADVISERS AND INDEPENDENT FINANCIAL ADVISER

Ample Capital has been appointed as the Sponsor to the new listing application of the Company.

Kingston and Veda Capital have been appointed as the Joint Financial Advisers in connection with the Acquisition and the Disposals.

Messis Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the Whitewash Waiver, the Disposals and the Share Placing.

16. DIVIDEND

No dividends have been paid or declared by the Target Group during the Track Record Period.

Subject to certain covenants of the Target Group's borrowings in relation to dividend payment (further details of which is set out in the section headed "Financial information of the Target Group — 15. Indebtedness" in this circular), dividends of the Target Group may be paid out by way of cash or by other means that the proposed Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the proposed Directors and will be, subject to the aforementioned covenants, at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Target Group currently does not have any specific dividend policy. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including the Restructured Group's results of operations, financial condition, the payment by the Restructured Group's subsidiaries of cash dividends to the Restructured Group, and other factors the Board may deem relevant. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

17. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees and printing and other expenses relating to the Transactions and any commissions and certain other expenses relating to the Placing are estimated to be approximately HK$60.2 million in aggregate and are payable by the Restructured Group.

The total expenses of approximately HK$60.2 million are separated into two parts: (i) approximately HK$6.0 million shall be booked in equity account; and (ii) approximately HK$54.2 million shall be booked in profit and loss account (of which approximately HK$29.3 million has been booked in the accounts of the Restructured Group during the Track Record Period, approximately HK$1.0 million shall be net off to the proceeds from the CB Placing and the remaining amount of approximately HK$23.9 million will be booked upon the Completion).

These expenses are not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statements of cash flows.

18. RECOMMENDATIONS AND THE PROPOSED SGM

The IBC comprising Mr. Xie Tom, Mr. Mak Ka Wing, Patrick and Mr. Chan Chi Yuen, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the SP Agreement, the Acquisition, the Whitewash Waiver, the Share Placing and the Disposals and the transactions contemplated thereunder, and to make a recommendation to the Independent Shareholders.

The IBC, having considered the terms and conditions of the SP Agreement, the Whitewash Waiver, the Placing Agreement, the UR Disposal Agreement and the Alfreda Disposal Agreement and after taking into account the advice from the Independent Financial Adviser, considers that the Acquisition, the Whitewash Waiver, the Share Placing and the Disposals and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The IBC accordingly recommends that the Independent Shareholders vote in favour of the relevant resolutions to be proposed at the SGM to approve the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder.

The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) recommend that the Shareholders vote in favour of the resolutions to be proposed to approve the Acquisition, the Whitewash Waiver, the Share Placing, the CB Placing and the Disposals as well as other resolutions to be proposed at the SGM.

The text of the letter from the IBC containing its recommendation to the Independent Shareholders is set out on page 140 to page 141 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and

the Independent Shareholders with regard to the Acquisition, the Whitewash Waiver, the Share Placing and the Disposals and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 142 to 178 of this circular.

The SGM is proposed to be held on 20 November 2017 at 10:30 a.m., at which the relevant resolutions in connection with the Transactions will be proposed for approval by the Shareholders/Independent Shareholders. A notice convening the SGM is set out on page SGM-1 to page SGM-8 of this circular and a form of proxy for use at the SGM is enclosed for further action of the Shareholders.

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

"Acquisition"	the acquisition of the Sale Shares and the Shareholders' Loan by the Company pursuant to the SP Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Alfreda Consideration"	the total consideration of approximately HK$22.36 million in relation to the Alfreda Disposal pursuant to the Alfreda Disposal Agreement
"Alfreda Disposal"	the proposed disposal of the entire issued share capital of Alfreda Limited and a shareholder's loan owed by Alfreda Disposal Group to the Company by the Company
"Alfreda Disposal Agreement"	the sale and purchase agreement dated 27 October 2015 (as amended and supplemented by the Alfreda Supplemental Agreements) entered into between the Company as the vendor and the Alfreda Purchaser as the purchaser in relation to the Alfreda Disposal
"Alfreda Disposal Group"	Alfreda Limited and its subsidiaries
"Alfreda Disposal Long Stop Date"	29 December 2017, or such later date as the Company and the Alfreda Purchaser may from time to time agree in writing
"Alfreda Purchaser"	Ma Weihong (馬偉紅), an Independent Third Party
"Alfreda Supplemental Agreements"	the supplemental agreements dated 23 February 2016, 28 July 2016, 28 October 2016, 26 January 2017, 31 March 2017, 30 June 2017 and 29 September 2017 in relation to the amendment and supplement of certain terms of the Alfreda Disposal Agreement
"Ample Capital" or "Sponsor"	Ample Capital Limited, a corporation licensed to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the new listing application of the Company in relation to the Acquisition
"Announcement"	the announcement of the Company dated 27 October 2015 in relation to, among other things, the Acquisition, the Share Placing, CB Placing and the Disposals
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board

"Beijing Zangshan"*(note)*	Beijing Zangshan Hongtai Investment Management Centre LLP.* (北京藏山弘泰投資管理中心(有限合夥)), a limited partnership enterprise established in the PRC with limited liability on 23 April 2013, which is owned as to 99% by Shanghai Xihe Investment Management Co., Ltd* (上海熹和投資管理有限公司) and as to 1% by Beijing Zangshan Capital Investment Co., Ltd.* (北京藏山資本投資有限公司)
"Board"	the board of Directors
"Boshi Capital"	Boshi Capital Management Co., Ltd.* (博時資本管理有限公司), a company established in the PRC with limited liability on 26 February 2013, which is owned as to 100% by Boshi Fund Management Co., Ltd.* (博時基金管理有限公司)
"Business Day"	a day (other than a Saturday or a Sunday or public holidays or days on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong at any time from 9 a.m. to 5 p.m.) on which banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of the Company, as amended from time to time, a summary of which is set out in Appendix VIII to this circular
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time

"CB Placees"	any investor who is either a professional or institutional investor or other investors whom the Placing Agent has selected or procured to subscribe for any of the Convertible Bonds, who and whose ultimate beneficial owners are (a) Independent Third Parties; (b) shall be independent of and not be parties acting in concert with any persons, other placee(s) of the CB Placing or Shareholder(s) or their respective associates to the effect that any placing to such placee(s) of the CB Placing shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code; (c) shall be independent of the Vendor, its ultimate beneficial owner and parties acting in concert with them; (d) shall be independent of the proposed Directors referred to in the section headed "Directors and senior management of the Restructured Group" in this circular and the connected persons of the Company after completion of the Acquisition and the proposed change of Directors; and (e) shall be regarded as public (within the meaning as defined under the Listing Rules)
"CB Placing"	the placing of the Convertible Bonds pursuant to the terms of the Placing Agreement
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Changsha Fusheng"	Changsha Fusheng Property Management Co., Ltd.* (長沙福晟物業管理有限公司), a company established in the PRC with limited liability on 21 March 2008, an indirect wholly-owned subsidiary of the Target Company until 31 December 2014
"China" or "PRC"	the People's Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Civil Air Defense Law"	PRC Law on Civil Air Defense (中華人民共和國人民防空法) promulgated by the NPC on 29 October 1996, as amended on 27 August 2009
"close associate(s)"	has the same meaning as defined in the Listing Rules
"Closing Date"	the date on which the SP Completion takes place or such other date as the Company and the Placing Agent may agree in writing

"Companies Act"	the Companies Act 1981 of Bermuda, as amended, modified and supplements from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company"	U-RIGHT International Holdings Limited, a company incorporated in Bermuda with limited liability on 9 June 2000, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0627)
"Company Subsidiaries"	UR Group Limited together with its subsidiaries and Alfreda Limited together with its subsidiaries
"Completion"	the completion of the Transactions
"Concert Group"	the Vendor, Mr. Pan and the parties acting in concert with any of them
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration of HK$1,511,313,200 for the purchase of the Sale Shares and the Shareholders' Loan pursuant to the SP Agreement
"Consideration Shares"	the 6,415,060,000 new Shares to be allotted and issued by the Company to the Vendor (or its nominee(s)) to settle part of the Consideration in respect of the Acquisition
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the Vendor and Mr. Pan, or any of them
"Conversion Price"	the initial conversion price of HK$0.22 per Conversion Share
"Conversion Share(s)"	the new Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
"Convertible Bonds"	the convertible bonds in the principal amount of not more than HK$200,000,000 to be issued by the Company in respect of the CB Placing
"core connected person(s)"	has the same meaning as defined in the Listing Rules
"CSRC"	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)

"Daye Trust"*(note)*	Daye Trust Co., Ltd.* (大業信託有限責任公司), a state-controlled company established in the PRC with limited liability on 18 December 1992, which is owned as to 41.67% by China Orient Asset Management Co., Ltd.* (中國東方資產管理股份有限公司), a state-owned financial enterprise, as to 38.33% by Guangzhou Finance Holdings Group Co., Ltd.* (廣州金融控股集團有限公司), a state-owned enterprise established by Guangzhou government, and as to 20% by Guangdong Kingsun Power Group Co., Ltd.* (廣東京信電力集團有限公司), an energy enterprise
"Deed of Indemnity"	the deed of indemnity dated 24 October 2017 executed by the controlling shareholders in favour of the Company (for itself and as trustee for the subsidiaries of the Restructured Group), particulars of which are set out in the paragraph headed "I. Deed of Indemnity" in the "Statutory and general information" in Appendix IX to this circular
"Deed of Non-competition"	the deed of non-competition dated 24 October 2017 executed by the controlling shareholders (as covenantors) in favour of the Company (for itself and as trustee for the subsidiaries of the Restructured Group), particulars of which are set out in the section headed "Relationship with the controlling shareholders — 3. Non-competition Undertakings" in this circular
"Director(s)"	the director(s) of the Company
"Disposals"	the Alfreda Disposal and the UR Disposal
"DTZ" or "Property Valuer"	DTZ Cushman & Wakefield Limited, an independent property valuer and property market consultant
"EIT" or "EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) promulgated on 16 March 2007 and its implementation rules promulgated on 6 December 2007, both effective from 1 January 2008
"Encumbrance"	any mortgage, charge, pledge, lien (otherwise than arising by statue or operation or law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-purchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature

"Excluded Company(ies)"	company(ies) which the controlling shareholders are entitled to exercise 30% or more of the voting power at the general meeting and are principally engaged in property development business in the PRC, excluding any member of the Restructured Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any of his delegate
"FIREE(s)"	foreign-invested real estate enterprise(s)
"Fujian Fullsun Investment"	Fujian Fullsun Investment Co., Ltd.* (福建福晟投資有限公司), a company established in the PRC with limited liability on 15 April 2015, an indirect wholly-owned subsidiary of the Target Company
"Fujian Fullsun Men Cheung"	Fujian Fullsun Men Cheung Investment Co., Ltd.* (福建福晟閩長投資有限公司), a company established in the PRC with limited liability on 15 April 2015, an indirect wholly-owned subsidiary of the Target Company
"Fujian Fusheng Group"	Fujian Fusheng Group Co., Ltd.* (福建福晟集團有限公司), a company established in the PRC with limited liability on 24 March 2006, a wholly-owned subsidiary of Fusheng Group and a connected person of the Company upon SP Completion
"Fujian Liujian Group"	Fujian Liujian Group Co., Ltd.* (福建六建集團有限公司), a company established in the PRC with limited liability on 12 December 1993, which is owned as to 70% by Fujian Fusheng Group and as to 30% by Fujian Wanshengrong Investment Co., Ltd., and a connected person of the Company upon SP Completion
"Fujian Men Cheung"	Fujian Men Cheung Properties Co., Ltd.* (福建閩長置業有限公司), a company established in the PRC with limited liability, an associate of Mr. Pan by way of 85% of its equity interest being indirectly owned by Mr. Pan and a connected person of the Company upon SP Completion
"Fujian Qianlong" or "Qianlong Investment"	Qianlong Investment Co., Ltd.* (錢隆投資有限公司) (formerly known as Fujian Qianlong Investment Co., Ltd.* (福建錢隆投資有限公司)), a company established in the PRC with limited liability on 12 April 2006, which is owned as to 30% by Chen Weihong and 70% by Fusheng Group

"Fusheng Group"	Fusheng Group Co., Ltd.* (福晟集團有限公司), a company established in the PRC with limited liability on 21 May 2007, which is owned as to 90% by Mr. Pan and as to 10% by Chen Weihong and a connected person of the Company upon SP Completion
"Fuzhou Fullsun Group"	Fuzhou Fullsun Group Co., Ltd.* (福州福晟集團有限公司) (formerly known as Fuzhou Men Cheung Property Management Ltd.* (福州閩長物業管理有限公司)), a company established in the PRC with limited liability on 12 June 2001, a direct wholly-owned subsidiary of the Target Company
"GDP"	gross domestic product
"Group"	the Company together with its subsidiaries immediately prior to SP Completion
"HK$" or "HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hunan Fullsun"	Hunan Fullsun Real Estate Development Co., Ltd.* (湖南福晟房地產開發有限公司), a company established in the PRC with limited liability on 5 November 2009 whose 100% effective equity interest is attributable to the Target Group (49% of the shareholdings is registered under the name of Daye Trust)
"Hunan Fullsun Group"	Hunan Fullsun Group Co., Ltd.* (湖南福晟集團有限公司), a company established in the PRC with limited liability on 18 June 2008, a direct wholly-owned subsidiary of Fuzhou Fullsun Group
"Hunan Longxiang"	Hunan Longxiang Real Estate Development Co., Ltd.* (湖南隆祥房地產開發有限公司), a company established in the PRC with limited liability on 23 August 2013, an indirect wholly-owned subsidiary of the Target Company
"Hunan Shengran"	Hunan Shengran Real Estate Development Co., Ltd.* (湖南晟冉房地產開發有限公司), a company established in the PRC with limited liability on 23 August 2013, an indirect wholly-owned subsidiary of the Target Company through Hunan Zhonglv

"Hunan Weilong"	Hunan Weilong Real Estate Development Co., Ltd.* (湖南瑋隆房地產開發有限公司), a company established in the PRC with limited liability on 13 November 2006, an indirect wholly-owned subsidiary of the Target Company
"Hunan Zhonglv"	Hunan Zhonglv Real Estate Development Co., Ltd.* (湖南中旅房地產發展有限公司), a company established in the PRC with limited liability on 20 September 2007, an indirect wholly-owned subsidiary of the Target Company
"IBC" or "Independent Board Committee"	the independent board committee, comprising all the independent non-executive Directors, of the Company
"Independent Financial Adviser"	Messis Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the IBC and the Independent Shareholders in connection with the Acquisition, the Whitewash Waiver, the Disposals and the Share Placing
"Independent Shareholder(s)"	the Shareholder(s), other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; and (ii) the Shareholders who are involved in, or interested in the SP Agreement, the Whitewash Waiver, the UR Disposal Agreement, the Alfreda Disposal Agreement and the Placing Agreement (being Mr. Pan, his associates and parties acting in concert with him)
"Independent Third Party(ies)"	third party(ies) who are not connected person(s) (within the meaning of the Listing Rules) of the Company, its subsidiaries or any member of the Target Group
"Issue Price"	the issue price of HK$0.22 per Share
"Joint Financial Advisers"	Kingston and Veda Capital
"Kingston"	Kingston Corporate Finance Limited, a corporation licensed to engage in type 6 (advising on corporate finance) regulated activity under the SFO, being one of the Joint Financial Advisers to the Company in relation to the Acquisition and the Disposals
"Last Trading Day"	14 April 2015, being the last full trading day for the Shares before the date of the Announcement

"LAT"	Land Appreciation Tax as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例實施細則》)
"Latest Practicable Date"	24 October 2017, being the latest practicable date for ascertaining certain information prior to the publication of this circular
"License of U-RIGHT Marks"	the license to use by the Group the U-RIGHT Marks granted by U-Right International Limited (in liquidation) and its liquidators at a fee of HK$1.00
"Listing Committee"	the listing committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreement"	the shareholders' loan agreement dated 12 April 2015 (as amended and supplemented by a supplemental agreement dated 12 April 2017) entered into between the Vendor and the Target Company, pursuant to which, the Vendor will provide an unpledged interest free shareholders' loan of not less than US$49.93 million to the Target Company for a term of four years from 12 April 2015
"Long Stop Date"	29 December 2017, or such later date as the Company and the Vendor may from time to time agree in writing
"Main Board"	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company, as supplemented, amended or otherwise modified from time to time
"Ministry of Finance"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Land and Resources"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Mr. Pan"	Mr. Pan Weiming (潘偉明先生)
"Name Change"	the proposed change of name of the Company from "U-RIGHT International Holdings Limited" to "Fullsun International Holdings Group Co., Limited 福晟國際控股集團有限公司"
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"PBOC"	People's Bank of China (中國人民銀行)
"percentage ratios"	the five ratios set out in Rule 14.07 of the Listing Rules
"Placing"	the Share Placing and the CB Placing
"Placing Agent"	Ample Orient Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO, being the placing agent under the Share Placing and the CB Placing
"Placing Agreement"	the placing agreement dated 20 October 2017 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Announcement"	the announcement of the Company dated 20 October 2017 in relation to, among other things, Placing Agreement and the transactions contemplated thereunder
"Placing Period"	the period commencing immediately after the date of the Placing Agreement and expiring at 5:00 p.m. on the Business Day before the Closing Date
"Placing Shares"	2,727,280,000 new Shares to be issued by the Company in respect of the Share Placing
"PRC government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Legal Advisers"	Commerce & Finance Law Offices (通商律師事務所), the Company's legal advisers as to PRC law

"PRC Operating Subsidiaries"	the PRC operating subsidiaries of the Target Company, namely Fuzhou Fullsun Group, Fujian Fullsun Men Cheung, Fujian Fullsun Investment, Hunan Fullsun Group, Hunan Fullsun, Hunan Longxiang, Hunan Shengran, Hunan Weilong and Hunan Zhonglv, and PRC Operating Subsidiary means any of them
"Promissory Note"	the promissory note that may be issued by the Company to the Vendor for the purpose of settling part of the Consideration
"Remaining Group"	the Group upon completion of the Disposals
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the reorganisation of the Company and the Target Group conducted in preparation for the Acquisition, details of which are set out in the section headed "History and background of the Target Group — 3. Reorganisation"
"Restructured Group"	the Group upon Completion (i.e. the Remaining Group and the Target Group) and exclude the Company Subsidiaries
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the entire issued share capital of the Target Company
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"SGM"	the special general meeting of the Company to be convened on 20 November 2017 at 10:30 a.m. for the purposes of considering, and if thought fit, approving the Transactions and the appointment of the new proposed Directors
"Share(s)"	share(s) of a nominal value of HK$0.01 each in the share capital of the Company

"Share Option Scheme"	the share option scheme of the Company proposed to be adopted by the Company at the SGM, a summary of its principal terms is set out under the paragraph headed "H. Share Option Scheme" in Appendix IX to this circular
"Share Placees"	any investor who is either a professional or institutional investor or other investors whom the Placing Agent has selected or procured to subscribe for any of the Placing Shares, who and whose ultimate beneficial owners are (a) Independent Third Parties; (b) shall be independent of and not be parties acting in concert with any persons, other placee(s) of the Share Placing or Shareholder(s) or their respective associates to the effect that any placing to such placee(s) of the Share Placing shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code; (c) shall be independent of the Vendor, its ultimate beneficial owner and parties acting in concert with them; (d) shall be independent of the proposed Directors referred to in the section headed "Directors and senior management of the Restructured Group" in this circular and the connected persons of the Company after completion of the Acquisition and the proposed change of Directors; and (e) shall be regarded as public (within the meaning as defined under the Listing Rules)
"Share Placing"	the placing of not less than 2,727,280,000 Placing Shares at a price of HK$0.22 per Placing Share to not less than six (6) investors, whom and whose ultimate beneficial owners are Independent Third Parties, pursuant to the terms of the Placing Agreement
"Share Placing Price"	HK$0.22 per Placing Share
"Share Premium Reduction"	the proposed reduction of the entire amount standing to the credit of the share premium account of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Loan"	all the interests, benefits and rights of and in the unpledged interest-free shareholder's loan owed by the Target Company to the Vendor on the date of the SP Completion
"Sichuan Trust"	Sichuan Trust Co., Ltd.* (四川信託有限公司), a company established in the PRC with limited liability on 16 April 2010

"SP Agreement"	the sale and purchase agreement dated 14 April 2015 (as amended and supplemented by the Supplemental Agreements) entered into between the Company and the Vendor in relation to the Acquisition
"SP Completion"	completion of the Acquisition, falling on the 5th Business Day (or such other date as the Vendor and the Company may agree in writing) after all the conditions precedent under the SP Agreement having been fulfilled or waived (as the case may be)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary" or "Subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreements"	the supplemental agreements dated 27 October 2015, 23 February 2016, 28 July 2016, 28 October 2016, 26 January 2017, 15 February 2017, 30 June 2017 and 29 September 2017 entered into between the Company and the Vendor in relation to the amendment and supplement of certain terms of the SP Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	Vivalink Limited (隆通有限公司), a company wholly owned by the Vendor as at the Latest Practicable Date and was incorporated in the BVI with limited liability on 29 October 2014
"Target Group"	the Target Company and its subsidiaries, where the context requires, in respect of the period before the Target Company (either directly or indirectly) became the holding company of any of its subsidiaries, such subsidiaries are treated as if they were subsidiaries of the Target Company at the relevant time
"Tax Adviser"	RSM Tax Advisory (Hong Kong) Limited, the tax adviser to the Target Group
"Track Record Period"	the period comprising the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017

"Trademark Licence Agreement"	the trademark licence agreement dated 26 March 2015 entered into between Fujian Fusheng Group and Hunan Fullsun Group for the licensing of certain trademarks to Hunan Fullsun Group, as referred to in the section headed "Continuing connected transactions" in this circular
"Transactions"	the Acquisition, the Share Premium Reduction, the Name Change, the Share Placing, the CB Placing, the Disposals and the proposed adoption of the Share Option Scheme
"U-RIGHT Marks"	the "U-RIGHT" trademarks registered in Hong Kong and the PRC that are held by a former subsidiary of the Group namely, U-Right International Limited (in liquidation), which was a company incorporated in Hong Kong with limited liability and was deconsolidated from the Group upon its liquidation on 10 December 2008
"United States"	The United States of America
"UR Consideration"	the total consideration of approximately HK$56.50 million in relation to the UR Disposal pursuant to the UR Disposal Agreement
"UR Disposal"	the proposed disposal by the Company of the entire issued share capital of UR Group Limited and a shareholder's loan owed by UR Disposal Group to the Company
"UR Disposal Agreement"	the sale and purchase agreement dated 27 October 2015 (as amended and supplemented by the UR Supplemental Agreements) entered into between the Company as the vendor and the UR Purchaser as the purchaser in relation to the UR Disposal
"UR Disposal Group"	UR Group Limited and its subsidiaries
"UR Disposal Long Stop Date"	29 December 2017, or such later date as the Company and the UR Purchaser may from time to time agree in writing
"UR Purchaser"	Qiu Wenzhong (邱文忠), an Independent Third Party
"UR Supplemental Agreements"	the supplemental agreements dated 23 February 2016, 29 July 2016, 28 October 2016, 26 January 2017, 31 March 2017, 30 June 2017 and 29 September 2017 in relation to the amendment and supplement of certain terms of the UR Disposal Agreement
"USD" or "US dollars" or "US$"	United States dollars, the lawful currency of the United States

"Veda Capital"	Veda Capital Limited, a corporation licensed to engage in type 6 (advising on corporate finance) regulated activity under the SFO, being one of the Joint Financial Advisers to the Company in relation to the Acquisition and the Disposals
"Vendor" or "Tongda"	Tongda Enterprises Limited (通達企業有限公司), a company incorporated in the BVI with limited liability on 8 May 2014 and is wholly owned by Mr. Pan
"Whitewash Waiver"	a waiver from the Vendor to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Vendor and the parties acting in concert with it as a result of the Acquisition in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"Zhongrong Trust"	Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司), a company incorporated in the PRC with limited liability on 15 January 1993, an Independent Third Party
"Zhuhai Oriental"*(note)*	Zhuhai Oriental Huixiang Investment Management Centre LLP.* (珠海東方暉祥投資管理中心(有限合夥)), a limited partnership enterprise established in the PRC on 17 November 2014, which is owned as to 66.67% by Zhang Hai Lin (張海林) and as to 33.33% by Shenzhen Oriental Zangshan Asset Management Co., Ltd. (深圳東方藏山資產管理有限公司) ("Shenzhen Oriental"), Shenzhen Oriental is owned as to 40% by Shenzhen Qianhai Oriental Business Financial Holding Co., Ltd.* (深圳前海東方創業金融控股有限公司), a state-owned finance company, 30.1% by Beijing Wutong Zangshan Investment Management Centre LLP.* (北京梧桐藏山投資管理中心(有限合夥)), an investment management entity which is ultimately owned by Xizang government and individuals who are Independent Third Parties, and 29.9% by Sunshine Asset Management Co., Ltd.* (陽光資產管理股份有限公司) which is owned as to 36% by Sunshine Life Insurance Co., Ltd.* (陽光人壽保險股份有限公司), as to 24% by Sunshine Property & Casualty Insurance Co., Ltd* (陽光財產保險股份有限公司), as to 20% by Sunshine Insurance Group Co., Ltd* (陽光保險集團股份有限公司), and as to 20% by Beijing Hanlong Taincheng Investment Co., Ltd.* (北京瀚隆天誠投資有限公司)
"%"	per cent.

Note: The definition was made based on the latest public information and to the best knowledge of the Target Company as at the Latest Practicable Date.

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

For the purpose of this circular and unless otherwise specified, conversion of US$ into HK$ is based on the approximate exchange rate of US$1 = HK$7.74. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ or US$ have been, could have been or may be converted at such or any other rate or at all.

For the purpose of this circular and unless otherwise specified, conversion of RMB into HK$ is based on the approximate exchange rate of RMB1 = HK$1.21. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ or RMB have been, could have been or may be converted at such or any other rate or at all.

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

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

The English language version of this circular has been translated into the Chinese language and English and Chinese versions of this circular are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

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

"ASP"	the average selling price per sq.m. which is derived by dividing the revenue by the relevant recognised GFA in a given period
"building ownership certificate"	building ownership certificate (房屋所有權證), real estate title proof (房地產權屬證明文件) or other names as the case may be, a certificate, record or filing issued by the relevant PRC governmental authority responsible for real estate and land resources with respect to building ownership
"commercial"	unless the context provides otherwise, a general term used to describe non-residential developments such as, but not limited to, offices, shopping malls, retail developments, hotels and service apartments. The term "commercial projects" shall be construed accordingly
"completion and acceptance certificate"	construction work completion and acceptance certificate (建設工程竣工驗收備案表), issued by local urban construction bureaux or equivalent authorities in the PRC with respect to the completion of properties subsequent to their examination and inspection before the application for building ownership certificate
"construction land planning permit"	construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaux or equivalent authorities in the PRC
"construction work commencement permit"	construction work commencement permit (建築工程施工許可證) for the structural building(s) issued by local construction committees or equivalent authorities in the PRC
"construction work planning permit"	construction work planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaux or equivalent authorities in the PRC
"contracted ASP"	average selling price under contracted sales

"contracted sales"	contracted sales are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not
"GFA"	gross floor area
"land use rights certificate"	land use rights certificate (國有土地使用證), a certificate (or certificates as the case may be) of the right of a party to use a parcel of land
"land use rights grant contract"	an agreement which the Target Group and the relevant local governmental authority enter into after the public tenders, auctions or listing-for-sale process (as applicable), which provides for, among other things, the amount of land grant premium that the Target Group should pay for acquiring the land use rights of the relevant land parcel. After the Target Group has paid the land grant premium and satisfied any other conditions as set forth in the land use rights grant contract, the Target Group will obtain a land use rights certificate for the relevant land parcel
"pre-sale permit"	pre-sale permit (預售許可證), authorising a property developer to commence the pre-sale of property under construction
"pre-sold"	a property is deemed as pre-sold when the sale and purchase agreement is executed but the construction of the property has not been completed and the property has not been delivered to the customer
"public tender", "auction" or "listing-for-sale"	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government
"sold"	properties are considered sold when the construction of the properties have been completed and the property is delivered to the customer. Delivery takes place on the date when the customers sign the delivery documents or is deemed to take place on a date that is specified in the final collection notice sent by the Target Group to the customers
"sq.m."	square metre

"total GFA" or "total gross floor area"	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area. In general, this includes mechanical and electrical services rooms, refuse rooms, water tanks, car park floors, lifts and staircases

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

- the Restructured Group's operations and business prospects;
- the future developments, trends and conditions in the PRC property development sector;
- the Restructured Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- the Restructured Group's future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of the Restructured Group's business;
- the regulatory environment relating to, and the general industry outlook for, the PRC property development sector;
- prospective financial matters regarding the Restructured Group's business, results of operations and financial condition;
- the development costs in relation to the property projects of the Restructured Group;
- the Restructured Group's continual review of its strategy regarding its real estate business in the PRC;
- the competitive markets for property developers and the actions and developments of the Restructured Group's competitors in the PRC; and
- the general political and economic environment in the PRC.

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

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

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

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

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

1. RISKS RELATING TO THE ACQUISITION

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

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

1.2 The shareholding percentages of the existing Shareholders will be diluted following the issue of the new Shares upon Completion, and any value enhancement of the Shares as a result of the Acquisition may not offset the dilutive effect to the Shareholders

Pursuant to the SP Agreement and the Placing Agreement, the Company will issue and allot not less than 2,727,280,000 new Shares in respect of the Share Placing and the Convertible Bonds to professional, institutional and other investors, and 6,415,060,000 new Shares in partial settlement of the Consideration. In such a case, an aggregate of up to 10,051,430,800 new Shares will be issued upon Completion and upon full conversion of the Convertible Bonds at the Conversion Price into 909,090,800 Conversion Shares (assuming that the principal amount of the Convertible Bonds is HK$200 million), which represent approximately 760.5% of the issued share capital of the Company as at the Latest Practicable Date and approximately 88.4% of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares (assuming that all the Convertible Bonds are converted into Conversion Shares). Please refer to the section headed "Letter from the Board" in this circular for further details of the shareholding structure of the Company upon Completion.

As a result, the shareholding percentages of the existing Shareholders in the Company would be diluted when the Company issues the Consideration Shares and the Placing Shares, and when the Convertible Bonds are converted into Conversion Shares. Any value enhancement of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

1.3 The Restructured Group's result may fluctuate due to decrease in the fair value of the Convertible Bonds

The Restructured Group is required by HKFRSs to reassess the fair value of the Convertible Bonds at every reported statement of financial position date thereafter. The fair value of the Convertible Bonds is constantly affected by factors, such as fluctuation in the Share price. Accordingly, gains or losses arising from changes in the fair value of the Convertible Bonds will be reflected in the Restructured Group's results of operations in the period in which they arise. As a result, the Restructured Group's profitability and financial results may be adversely affected if the Restructured Group records a loss arising from changes in the fair value of the Convertible Bonds.

2. RISKS RELATING TO THE BUSINESS OF THE RESTRUCTURED GROUP

2.1 The Restructured Group's business is capital intensive and it may not be able to obtain sufficient funding for land acquisitions and future property developments on commercially reasonable terms, or at all

Property development is capital intensive. During the Track Record Period, the Target Group financed its property projects through capital contributions or advances provided by its shareholders, bank loans, trust and other loans and internal cash flows. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group's outstanding bank and other loans amounted to approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million, respectively. Finance costs of approximately RMB177.9 million, RMB271.5 million, RMB187.4 million and RMB55.2 million were incurred and capitalised to properties under development for the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017, respectively. Some of the Target Group's loans carry interest at floating rates. As loans carrying interest at floating rates in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, increases in the PBOC benchmark lending rates may affect the Target Group's borrowing costs and therefore affect its cash flow, financial condition and results of operations. Please refer to the section headed "Business of the Target Group — 6. Property Development Process — 6.4 Project financing" in this circular for further details.

There is no assurance that the Restructured Group will be able to obtain financing or renew existing credit facilities in the future on acceptable terms, or at all. The Restructured Group's ability to do so will depend on a number of factors, many of which are beyond its control. For instance, the PRC property market has experienced significant volatility in recent years as a result of the recent deterioration in the PRC's economic growth and credit environment. Similarly, the global economic and financial crisis has reduced the general demand for properties, including those in the PRC, and as a consequence the banks and other financial institutions have become less willing to make credit available to companies in the property development industry. If the Restructured Group is not able to raise new financing or refinance its existing borrowings at maturity on commercially acceptable terms, or at all, its liquidity will be adversely affected and, as a result, its results of operations, financial condition and business prospects may be adversely affected.

In addition, the PRC government had in the past implemented a number of policy initiatives in the financial sector to further tighten lending requirements both generally and specifically in relation to property developers. Please refer to the paragraph headed "A. Regulatory overview of the PRC property industry — (k) Real estate financing" in the "Regulatory overview" in Appendix II to this circular for further details of the PRC laws and regulations. As for trust financing, from 2008 to 2010, CBRC issued several regulatory notices to enhance the administration on trust loans advanced by trust financing companies to real estate development project, including a Circular on Relevant Matters regarding Strengthening the Supervision of Real Estate Business of Trust Financing Companies (《關於加強信託公司房地產業務監管有關問題的通知》) issued on 11 February 2010, pursuant to which trust financing companies are prohibited to provide loans for payment of land premium and loans should not be provided to property projects under certain conditions. Please refer to the paragraph headed "C. Trust financing" in the "Regulatory overview" in Appendix II to this circular for further details. There is no assurance that the PRC government will not introduce further initiatives which may limit the Restructured Group's access to bank financing or the amount that trust financing companies can make available to the PRC real estate industry. The terms of certain facilities and other loans of the Restructured Group may contain covenants which restrict the Restructured Group's ability to secure new borrowings. The foregoing and other initiatives introduced by the PRC government may limit the Restructured Group's flexibility and ability to use bank loans or other forms of financing to fund its land acquisitions or property developments and therefore may require the Restructured Group to rely on internally sourced funds or equity financing.

The Target Group has also been benefiting from borrowings provided by related parties. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the aggregated amount due to related parties (non-trade nature) by the Target Group was approximately RMB219.8 million, RMB0, RMB0 and RMB0, respectively. Please refer to the section headed "Financial information of the Target Group — 11. Related parties balances and transactions" in this circular for further details. The Restructured Group may not obtain loans or financings from the related parties in the future. The Target Group's future financial performance and operations may as a result be adversely affected as compared to the Target Group's historical results when such financing from related parties was available.

2.2 The Restructured Group may not always be able to obtain sites that are suitable for property development and acquire sufficient land reserves at reasonable costs

The Target Group derives revenue principally from the sale of properties that it develops. This revenue stream depends on the completion of, and the Target Group's ability to sell, its property developments. To maintain or grow its business in the future, the Restructured Group will need to acquire suitable development sites so as to replenish its land reserves. Its ability to identify and acquire suitable sites is subject to a number of factors, some of which are beyond its control.

The PRC government controls all new land supply in the PRC and regulates land transfer in the secondary market. As a result, the policies of the PRC government relating to land supply may adversely affect the ability of the Restructured Group to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition. The business, financial

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

Please refer to the paragraph headed "A. Regulatory overview of the PRC property industry" in the "Regulatory overview" in Appendix II to this circular for further details of the relevant PRC laws and regulations.

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

The valuations of the Restructured Group's properties contained in the "Property valuation of the Target Group" and the "Property valuation of the Remaining Group" in Appendix VI and Appendix VII to this circular, respectively, are prepared based on various valuation methodologies, bases and assumptions with reference to different property categorisations, natures, types, usages and development status. Please refer to the relevant valuation reports for further details of the valuation methodologies adopted by the Property Valuer.

Furthermore, the valuations of the Restructured Group's properties are based upon certain assumptions, which, by their nature, are subjective and uncertain, and may not be realised. Such assumptions include:

- transferable land use rights of the properties for their respective terms at nominal land use fees have been granted, and any premium payable has been paid;
- the exclusion of any estimated price inflated or deflated by special terms or circumstances, such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value;
- no allowance being made for any charges, mortgages or amounts owing on the properties, nor for any expenses or taxation which may be incurred in effecting a sale;
- all necessary consents, approvals and licences from relevant governmental authorities for the development proposals have been or will be obtained without onerous conditions or delays;
- the Restructured Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use terms as granted;
- the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values; and

- the properties will be developed and completed in accordance with the latest development proposals provided by the Target Group.

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

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

2.4 Third party contractors and suppliers may not always meet quality standards or provide services in a timely manner

The Target Group generally engages external contractors and suppliers such as external design firms, main construction contractors and specialised contractors to provide design, construction and related services.

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

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

The Restructured Group's ability to derive profits from its property projects depends on various factors, including how well it can control the relevant construction and development costs. To ensure that it obtains the best price from its contractors, the Target Group typically holds competitive tenders for its projects. However, the Target Group does not always award contracts to the contractor with the lowest tender price as there are a number of other factors which must be taken into account, including professional qualifications, reputation in the industry, experience and credentials, cash flows and other financial conditions.

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

2.6 The Target Group recorded negative operating cash flow during parts of the Track Record Period. The liquidity and financial condition of the Restructured Group may be materially and adversely affected if it records negative operating cash flow in the future

During the Track Record Period, the Target Group had negative operating cash flows of approximately RMB459.6 million for the year ended 31 December 2014. Such a situation was mainly due to the costs associated with the commencement of two projects, namely Qianlong International and Fullsun International Financial Centre, which had generated significant net cash outflows mainly due to payment of land costs during the year ended 31 December 2014 for land acquisitions. The proposed Directors believe that the Target Group's negative operating cash flows during the year ended 31 December 2014 were mainly due to the capital intensive nature of the Target Group's business. As at the Latest Practicable Date, the proposed Directors confirm that the Target Group does not have any unutilised and unrestricted banking facilities.

There is no assurance that the Restructured Group will be able to record positive operating cash flow in the future. The Restructured Group may need to resort to additional financing activities to fund its operations should its future operating activities be unable to generate sufficient cash flow. There is no assurance that the Restructured Group will be able to obtain financing in the future on acceptable terms, or at all. If the Restructured Group incurs substantial increases in financing costs arising from additional financing activities or if it cannot obtain sufficient cash, the business, financial condition, results of operations and prospects of the Restructured Group may be materially and adversely affected.

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

The Target Group maintains a certain level of indebtedness, of which a large proportion is secured by certain property development projects. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group had total borrowings of approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million, respectively. Furthermore, the Target Group had gearing ratio and debt to equity ratio of approximately 420.0% and 322.9%, respectively, as at 30 April 2017. The Target Group's gearing ratio and debt to equity ratio remained at high levels during the Track Record Period mainly due to (i) high levels of borrowings; and (ii) lowered equity mainly due to the acquisition of additional/full interests of subsidiaries under common control due to the reorganisation of the Target Group. Please refer to the section headed ''Financial information of the Target Group — 15. Indebtedness'' in this circular for further details of the Target Group's indebtedness position.

The property development business is capital intensive, and typically requires substantial capital contribution for land acquisition and property development. The Target Group also had the commitments for property development contracted for but not provided in the financial information of approximately RMB302.5 million, RMB189.7 million, RMB532.7 million and RMB578.3 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. Please refer to the section headed "Financial information of the Target Group — 13. Commitments" in this circular for further details of the Target Group's commitment positions.

The Restructured Group's ability to repay the principal and interest on its borrowings and to service its commitments depends substantially on the cash flow and results of operations of its operating subsidiaries, which depend in part upon the social, political, economic, legal and other risks described herein, most of which are beyond its control. There is no assurance that the Restructured Group will be able to record positive operating cash flow in the future. Any decline or under-performance of the Restructured Group's pre-sale, sale or leasing activities and any other matter adversely impacting the net cash inflow of the Restructured Group could significantly affect its cash flow position. The Restructured Group may have difficulty in securing additional financing, and its working capital for the purpose of its business operations and expansions may be insufficient. There can be no assurance that the Restructured Group will always be able to raise the necessary funding to finance its commitments.

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

2.8 Goodwill impairment could negatively affect the reported results of operations of the Restructured Group

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Testing for impairment requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to the judgment in applying these factors to the assessment of goodwill recoverability. Upon SP Completion, it is anticipated that the amount of goodwill of approximately HK$274.2 million will be fully impaired as per the unaudited pro forma financial information. Please refer to the note (8) in the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular for further details.

The Restructured Group could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by the failure to manage the operations. Impairment charges could substantially affect

the Restructured Group's reported results of operations in the periods of such charges. In addition, impairment charges would negatively impact Restructured Group's financial ratios and could limit Restructured Group's ability to obtain financing in the future.

2.9 The PRC government may impose a penalty on the Restructured Group or cancel the land use rights for any project which was not or has not been developed in compliance with the terms of the land use rights grant contract and/or applicable PRC laws

According to the land use rights grant contract, if a developer fails to pay any outstanding land premium by the stipulated deadline, a late payment penalty of 0.04% or 0.1% (depending on the contract) of the unpaid land premium will be imposed on a daily basis. For the year ended 31 December 2014, compensation for late payment of land premium amounted to approximately RMB12.5 million. For further information of the compensation for late payment of land premium, please refer to the paragraph headed ''Notes to historical financial information — 8. Other expenses and refund — Note'' in the ''Accountants' report on the Target Group'' in Appendix III to this circular.

In addition to the above sanctions and adverse consequences, there is no assurance that any cancellation of land use rights, demolition of buildings or imposition of penalties will not arise in the future. If the land use right of any property project of the Restructured Group is forfeited by the PRC government, it will not be able to continue the development on the affected land and recover the land, development and other costs incurred up to the date of such forfeiture or continue the operation on the affected land which in turn may lead to breach of contract entered with customers. Any requirement for the Restructured Group to pay penalties or revocation of the certificate of approval or business licence of any of the members of the Restructured Group may adversely affect its business, results of operations or financial condition.

2.10 The Target Group has not maintained insurance in its own favour and may be exposed to certain risks

As per the paragraph headed ''A. Regulatory overview of the PRC property industry — (q) Insurance'' in the ''Regulatory overview'' in Appendix II to this circular, there are no nationwide mandatory requirements in the PRC laws, regulations or rules requiring a real estate developer to maintain insurance for its real estate projects. During the Track Record Period, the Target Group did not maintain insurance coverage against potential losses or damages with respect to its properties before their delivery to customers. However, the Target Group has maintained insurance coverage against potential losses or damages with respect to certain properties in favour of a bank according to the terms of its bank loan agreements. The Restructured Group may consider in the future to maintain insurance policies where practicable covering both its assets and employees, with policy specifications and insured limits which it believes are reasonable. However, in certain cases it may be difficult to obtain adequate insurance coverage at all or at commercially acceptable rates. Certain types of losses, such as those resulting from wars, earthquakes or other acts of God, are generally not insured as a matter of industry practice. Please refer to the section headed ''Business of the Target Group — 9. Insurance'' in this circular for further information.

There is no assurance that adequate insurance coverage against risks of the Restructured Group's projects and income-generating properties will be available in the future on commercially reasonable terms or at commercially competitive rates. Should an uninsured loss or a loss in excess of insured limits occurs or should the Restructured Group's insurers fail to fulfil their obligations in relation to the sum insured, the Restructured Group could suffer loss, including loss of rent or future revenue, and/or may be required to pay compensation to third parties. The Restructured Group may also be liable for any debt or other financial obligation related to the relevant property or third parties. Any such loss could adversely affect the Restructured Group's business, financial condition, results of operations and prospects.

2.11 The Restructured Group may not be able to obtain land use right certificates or building ownership certificates for properties in which it has an interest

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

2.12 The Restructured Group may face delay in completing its property development projects

Property development projects require substantial capital expenditures and these projects typically take several years to complete. The progress for a development project of the Restructured Group may be adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolishment of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes; and
- adverse weather conditions.

Any delays in progress for a development project will affect its costs and any delays or failure to complete the construction of a project according to its planned specifications, schedule or budget may affect the business, financial condition and results of operations of the

Restructured Group and may also cause damage to its reputation. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery.

There is no assurance that the Restructured Group will not experience any delays in completion or delivery of property development projects or that it will not be subject to any liabilities for any such delays in the future. Any delay in completion of the property development projects of the Restructured Group will have a material adverse impact on its reputation and its business, financial condition and results of operations.

2.13 The validity regarding the transfer of the right to use civil air defense projects is uncertain and the Restructured Group may be required to refund the consideration of such transfer to its customers and subject to adverse legal consequences

During the Track Record Period, the Target Group had entered into contracts to transfer the right to use civil air defense projects in the Target Group's property development projects to customers for use as car parks (the "**Designated Car Parks**") and the Restructured Group intends to continue such transfer in the future. The Target Group accounts for revenue from the transfer of the right to use the Designated Car Parks as revenue from sale of properties. The legal position regarding property ownership in respect of civil air defense projects is uncertain under the prevailing PRC laws and regulations. There is no express prohibition against the transfer of the right to use civil air defense projects under PRC laws and regulations. However, the interpretation and enforcement of the relevant PRC laws and regulations by different local governmental authorities and courts vary on a case-by-case basis.

The outcome of any disputes arising from contracts of such transfer of the right to use the Designated Car Parks is uncertain. Should it be adjudicated that the contracts of transfer of the right to use the Designated Car Parks are invalid and unenforceable, the Restructured Group may be required to retrieve the right to use the Designated Car Parks from its customers and refund the consideration to its customers and its customers may be required to pay fees for the period of use of such car parks to the Restructured Group.

In addition, under the Civil Air Defense Law, while an investor in civil air defense projects can use (including lease) and manage civil air defense projects in times of peace and profit therefrom, such use shall not impair their functions as civil air defense projects. The design, construction and quality of the civil air defense projects must also conform to the protection and quality standards established by the PRC government. If the customers fail to maintain the Designated Car Parks in accordance with the applicable laws and regulations, due to the uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use the Designated Car Parks remains with the Restructured Group notwithstanding such contracts of transfer, the Restructured Group may be subject to adverse legal consequences.

If the PRC government declares a state of war, the PRC government may take over civil air defense projects as civil air defense shelters. If the customers fail to deliver the Designated Car Parks when required by the PRC government in such times of war, due to the uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use the Designated Car Parks remains with the Restructured Group

notwithstanding such contracts of transfer, the Restructured Group may be subject to sanctions imposed by the PRC government. If any of the above happens, the Restructured Group's business, results of operations and financial condition may be materially and adversely affected.

2.14 The hotel industry is cyclical, and the Target Group's hotel property may not be able to replicate their success in residential and commercial property development

The Target Group currently has one hotel property being planned as part of their property projects. The operating results of the hotel property will depend, to a large extent, on the performance of the economy and the tourism industry and the real estate market conditions in the PRC. Historically, the hotel industry has been cyclical and affected by, among other factors, the supply of, and demand for, comparable properties, the rate of economic growth, interest rates, inflation, and political and economic developments. There can be no assurance that the PRC economy will not slow down or that hotel property values and rates will not decline or that interest rates in the PRC will not rise in the future. The Restructured Group has less experience in the hotel industry than in the residential and commercial property development business, and the Restructured Group may not always be able to identify or resolve issues that arise in relation to the hotel. Due to the lack of experience in the hotel industry, the Restructured Group may face considerable reputational and financial risks if the hotel does not meet the expectations of hotel customers. The Restructured Group cannot assure you that there will be sufficient demand for the hotel property. A general decline in the economy, the tourism industry or hotel property values and rates, may have a material adverse effect on the Restructured Group's business, financial condition and operating results. If the Restructured Group fails in its hotel property, it may have a material adverse effect on the Restructured Group's brand, business, financial condition and operating results.

3. RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

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

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

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

The Target Group expects that in the future it will retain a portion of its commercial properties as investment properties upon completion for recurring rental income. The demand for which is often affected by volatility in market conditions and fluctuation in property prices.

If the Restructured Group does not respond to changes in market conditions and tenants' preferences in a timely and adequate manner, its business, financial condition and results of operations may be materially and adversely affected.

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

3.2 The Restructured Group faces intense competition from other real estate developers

In recent years, a large number of famous real estate enterprises have acquired development land in Changsha. It is estimated that more real estate enterprises will participate in Changsha's real estate market. Some of the enterprises may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand than the Target Group. In the past, the PRC government has introduced various policies and measures to limit excessive growth and to curb speculation in the property development sector, which has further increased competition for land among property developers. Please refer to the section headed "Regulatory overview" in Appendix II to this circular for further details of the PRC legal and regulatory provisions relating to the Restructured Group's operations and business.

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

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

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

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

- commercial banks are required not to grant loans for new development projects to real estate development enterprises which have left any land idle or engaged in land speculation and the securities regulatory departments are required to suspend the approval of their listing, refinancing and restructuring of major assets;

- a property developer, who fails to obtain the construction work commencement permit and commence development for more than two years from the commencement date stipulated in the land grant contract, shall forfeit the land use rights and the PRC government shall impose an idle land fee of up to 20% of the land premium on such property developer; and

- the PRC government has tightened its control over loans from commercial banks to property developers to prevent excessive credit granted by such banks.

There can be no assurance that restrictive government policies and measures will not adversely affect the sale of units in the Restructured Group's property developments. In addition, there can be no assurance that the PRC government will not introduce further policies and measures to regulate the rate of growth of the property market or to limit or even prohibit foreign investment in the PRC generally or in the property sector in particular. These existing policies and measures and any future policies and measures, or even rumours or threats of any new policies and measures could adversely affect the Restructured Group's business, results of operations and financial condition, such as by limiting the Restructured Group's access to capital, reducing consumer demand for the Restructured Group's properties and increasing operating costs. This may also lead to changes in market conditions, including price instability and imbalance between supply and demand in respect of office, residential buildings, retail, entertainment and cultural properties, which may materially adversely affect the Restructured Group's business, financial condition and results of operations.

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

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

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

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

As with other property developers, the Restructured Group may from time to time subject to legal or arbitration proceedings in its ordinary course of business as a property developer in the PRC. In the event of an unfavourable ruling in these proceedings, the Restructured Group may be liable for a substantial amount of damages, suffer loss of revenue or face other potential adverse consequences. It is also possible that the Restructured Group may be ordered to stop the development, leasing or sale of a particular project. In such cases, the Restructured Group would not be able to recover any costs or expenses already incurred in relation to such project, and will lose revenue from the leasing or sale of such project.

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

3.6 The Restructured Group may not be able to continue its property development business or carry on property management business if it fails to obtain, renew or maintain qualification certificates

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

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

In addition, before commencing their business operations, entities engaged in the provision of property services are required to obtain qualification certificates in accordance with the Measures on Property Service Enterprises Qualification Management (《物業服務企業資質管理辦法》). A fine less than RMB20,000 may be imposed on any property service company which fails to obtain or renew a qualification certificate, and any profit generated during the period in which it was not in possession of a valid qualification certificate for property management enterprise (物業服務企業資質證書) may be disgorged. In addition, any property owners suffering any loss as a result of such breach are entitled to claim against the relevant property service company for compensation.

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

3.7 The Restructured Group may face potential liability for environmental problems which could result in substantial costs

The Restructured Group is subject to a number of laws and regulations concerning environmental protection. Compliance or non-compliance with environmental laws and regulations may result in delays and/or the incurring of substantial costs and can severely restrict project development activities in environmentally sensitive areas.

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

3.8 Failure to repay and/or repurchase the equity interests under other financing with repurchase obligation by the Restructured Group may affect the business, results of operations and financial condition of the Restructured Group

The Restructured Group has obtained other financing with repurchase obligation from lenders which are generally trust companies in the PRC. Such other financing with repurchase obligation is an alternative source of funds for property developers in the PRC and are

available to borrowers in various forms, including equity transfers, capital injections, equity acquisitions, shareholder loans, or secured entrusted loans. The terms and covenants of other financing with repurchase obligation vary but generally speaking, involve (i) transfer of a minority interest in the relevant project company to the financial institution providing the other financing with a repurchase obligation of such transferred minority interest on the part of the holding company (or other company designated by it) upon the repayment of such financing; (ii) pledge of the remaining interest in the relevant project company and/or other assets to the financial institution; and (iii) personal guarantee by Mr. Pan. For detailed information about the financing arrangement, please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular.

Based on the terms under such other financing with repurchase obligation, if the Restructured Group fails to repay and/or repurchase the equity interests, among others, (i) the lenders may take up the management of the relevant project companies; (ii) the lenders may require repayment of the outstanding loan amount prior to maturity; (iii) the Restructured Group may be subject to penalties and fees; (iv) the Restructured Group may be required to indemnify the lenders of all loss; and (v) the lenders may dispose of its equity interests to other parties. If any of the consequences materialise, the Restructured Group's business, financial condition and results of operations may be materially and adversely affected.

3.9 The amount of resettlement compensation payable to existing owners or residents is regulated and may be subject to substantial increases

If any of the land parcels the Restructured Group acquires in the future has existing building structures or is occupied by third parties, the Restructured Group may be responsible for paying resettlement costs before developing the land.

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

There is no assurance that these authorities will not change their compensation formulae. If they do, land acquisition costs may increase substantially which could adversely affect the Restructured Group's financial condition. If any of the land parcels the Restructured Group acquires in the future has existing building structures or is occupied by third parties, the Restructured Group may be responsible for paying resettlement costs before developing the land. In addition, if the Restructured Group or the local government fails to reach an agreement over compensation with the owners or residents, the housing resettlement authority will request the municipal or county government that makes the housing expropriation decision to make a compensation decision in accordance with the resettlement plan, and this may delay the

development schedule of the Restructured Group's projects or result in higher compensation costs than originally anticipated. Such delays will lead to an increase in costs and a delay in the expected cash inflow from the pre-sale of the relevant projects, which may in turn materially and adversely affect the Restructured Group's business, results of operations and financial condition.

3.10 The Restructured Group may be subject to stricter payment terms for land use rights with respect to land it acquires in the future as a result of any additional restrictive regulations promulgated in the PRC

On 21 September 2007, the Ministry of Land and Resources amended the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listings-for-sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), with effect from 1 November 2007. These regulations provide, among other things, that property developers will have to pay the relevant land grant fees in full under the relevant land use rights grant contract for all land parcels under the contract before receiving the land registration and land use rights certificates. Please refer to the paragraph headed "A. Regulatory overview of the PRC property industry — (c) Grant" in the "Regulatory overview" in Appendix II to this circular for further details.

As a result, with effect from 1 November 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use rights certificate to commence development, which had been the practice in many Chinese cities. On 18 November 2009, five governmental authorities, including the Ministry of Finance and the Ministry of Land and Resources, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加強土地出讓收支管理的通知》) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the balance in instalments within one year. Pursuant to the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (《國土資源部關於加強房地產用地供應和監管有關問題的通知》) issued by the Ministry of Land and Resources on 8 March 2010, a real estate developer shall file written reports with the department of land and resources upon the commencement and completion of a project. If the real estate developer fails to commence or complete the construction within the period prescribed in the land grant contract, it shall report the reason for delay to the department of land and resources within 15 days before the end of the period. Any real estate developer which fails to file reports shall be prohibited from acquiring land in the PRC for at least one year.

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

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

The Restructured Group relies on the pre-sale of properties as an important source of funding for its property projects. Under the current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. Please refer to the paragraph headed "A. Regulatory overview of the PRC property industry — (s) Sale of commodity properties" in the "Regulatory overview" in Appendix II to this circular for further details.

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

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

The Target Group has arrangements with various banks for the provision of mortgage facilities to its customers and where required by the banks, provides guarantees in favour of the banks in respect of the mortgage facilities granted by them to the customers.

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

As a guarantor, the relevant project company is responsible with the customer for the payment of the mortgage loan. The relevant project company's obligations under the guarantees are released upon the earlier of (i) the relevant property ownership certificates having been obtained and the certificates of other interests with respect to the relevant properties having been delivered to the mortgagee banks or the housing provident fund management centres, or (ii) the settlement of mortgage loans between the mortgagee and the Target Group's customers. The Target Group does not conduct independent credit checks on the customers but rely on credit checks conducted by the relevant banks. As at 30 April 2017, the outstanding guarantees in respect of mortgages for customers of the Target Group amounts to approximately RMB368.7 million.

If material default occurs and the relevant guarantees provided by the Target Group are called upon, the business, results of operations and financial condition of the Restructured Group may be adversely affected. Please refer to the sections headed ''Business of the Target Group — 6. Property development process — 6.8 Pre-sale and sale — 6.8.5 Guarantee to banks'' and ''Financial information of the Target Group — 14. Contingent liabilities'' in this circular for further details.

4. RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

4.1 As all of the Restructured Group's operations are conducted in the PRC, any adverse change in the PRC's political, economic and social conditions may have a material adverse effect on the Restructured Group

The economy of the PRC differs from the economies of most developed countries in many respects, including:

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

The PRC economy is in transition from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a significant role in regulating industries by imposing sector specific policies. Furthermore, despite the implementation of such reforms, it is uncertain whether changes in the PRC's political and social conditions, laws, regulations, policies and diplomatic relationships with other countries will have any adverse effect on the current or future business, results of operations or financial condition of the Restructured Group.

4.2 There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations (including the laws and regulations of taxation) which could adversely affect the Restructured Group

All of the Restructured Group's operations are conducted in the PRC and are therefore subject to PRC laws and regulations (including the laws and regulations of taxation). Since the late 1970s, many new laws and regulations covering general economic matters have been promulgated in the PRC. Even where adequate laws exist in the PRC, the enforcement of such laws may be uncertain, and it may be difficult to obtain swift and effective enforcement, or to obtain enforcement of a judgment of a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for

reference but have limited weight as precedents. Any changes of PRC tax laws and regulations may adversely affect the results of operations and financial position of the Restructured Group. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

4.3 The relevant PRC tax authorities may enforce the payment of land appreciation tax (LAT) and may challenge the basis on which the Target Group calculates its respective LAT obligations

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

On 28 December 2006, the State Administration of Taxation issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》) with the intention of strengthening the collection of LAT. This notice, among other things, requires property developers to settle the final LAT payable in respect of development projects that meet any one of certain criteria, such as 85% of the development project having been pre-sold or sold. Local provincial tax authorities are authorised to formulate detailed implementation rules in accordance with this notice taking into account local conditions.

On 10 November 2016, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Several Provisions concerning the Levy and Administration of Land Appreciation Tax after the Collection of Value-added Tax in Lieu of Business Tax (《國家税務總局關於營改增後土地增值税若干規定的公告》), which announces, including but not limited to, the exclusion of VAT from the taxpayer's taxable income under LAT for the transfer of real estate after the collection of VAT in lieu of business tax, and the levy basis for prepayment of LAT to be calculated by advances received less VAT amount to be paid.

On 9 December 2016, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Matters Related to the Enterprise Income Tax Refund Involved in the Settlement of Land Appreciation Tax by Real Estate Developers (《國家税務總

局關於房地產開發企業土地增值税清算涉及企業所得税退税有關問題的公告》), which provides, among other things, that where (a) a developer settles the LAT on a developed project according to regulations and a loss occurs after the settlement and payment of its EIT for the current year; and (b) there is no other follow-up development project, such developer may apply for tax refunds according to the formula stipulated in such announcement. Please refer to the paragraph headed "B. Major taxes applicable to property developers — (c) Land appreciation tax" in the "Regulatory overview" in Appendix II to this circular for further details.

The implementation of LAT varies among different cities of the PRC and certain projects of the Target Group have not finalised their LAT calculations payments with the local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. If the LAT that the Target Group has provided for is required to be paid, the cash flow and financial position of the Target Group will be adversely affected by such payment. Furthermore, if the actual LAT paid (due to changes in local practices and interpretations of related regulations of local tax authorities) exceeds the amount that the Target Group has provided for, the results of operations and financial position of the Restructured Group will be further adversely affected.

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

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

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

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

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

4.5 The Company is a holding company that relies on dividend payments from its subsidiaries for funding and dividends from its PRC subsidiaries which are subject to PRC withholding tax

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

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

4.6 Government's control of foreign currency conversion may materially and adversely affect the Restructured Group and its ability to meet foreign exchange requirements

RMB is not a freely convertible currency. Upon SP Completion, most of the revenue of the Restructured Group will be generated in the PRC and in RMB, and it will need to convert RMB into HKD and other foreign currencies for payment of dividends to the Shareholders and to service its debts denominated in currencies other than RMB. The exchange rates of the RMB against the HKD, the USD and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in the PRC's and global political and economic conditions. As the Restructured Group needs to convert future financing into RMB for its operations, any appreciation of RMB against the relevant foreign currencies would reduce the RMB amount the Restructured Group would receive from the conversion.

On the other hand, as dividends on the Shares, if any, and interest payment on certain debts of the Restructured Group are paid in foreign currencies, any devaluation of RMB against the relevant foreign currencies would adversely affect the Restructured Group's results of operations and financial condition, which may reduce the amount of any cash dividends on

the Shares. In addition, the conversion of RMB into HKD and other foreign currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for the Company to pay dividends in a currency other than RMB to the Shareholders may expose the Company to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that the Company will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

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

The PRC government imposes restrictions on foreign investment in the property sector to curtail the speculation in the property sector by, among other things, increasing the capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on the purchase of properties in China by foreign persons. For example, in May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct Investment in the Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which, among other things, provides that:

(i) foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled; before obtaining approval for the setup of real estate entities with foreign investment, either both the land use rights certificates and housing ownership right certificates must be obtained, or contracts for obtaining land use rights or housing ownership rights must be entered into;

(ii) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;

(iii) acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons of domestic real estate enterprises;

(iv) parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;

(v) local approval authorities should file the approvals of establishment of foreign investment real estate entities with the MOFCOM for their records in a timely manner according to applicable laws;

(vi) foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not effect foreign exchange settlements regarding capital account items to those that fail to file with the MOFCOM or fail to pass the annual reviews; and

(vii) for establishment of real estate entities which are illegally approved by local authorities, (i) the MOFCOM should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such illegally established real estate entities.

These restrictions may affect the Restructured Group's ability to make further investments in its PRC subsidiaries and as a result may limit its business growth and have a material adverse effect on its business, prospects, financial condition and results of operations. Please refer to the paragraph headed "A. Regulatory overview of the PRC property industry — (x) Foreign exchange controls" in the "Regulatory overview" in Appendix II to this circular for further details.

Also, the PRC government has imposed restrictions on the ability of foreign-invested PRC property developers to receive offshore funds. In April 2013, SAFE issued the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and the Operational Guidelines on Administrative for Foreign Debt Registration (《外債登記管理操作指引》) and amended in May 2015. The above mentioned regulations stipulates, among other things, that (i) SAFE will not process foreign debt signing registrations for FIREEs who obtained authorisation certificates from and registered with MOFCOM on or after 1 June 2007; (ii) only FIREEs established before 1 June 2007 can borrow foreign debt within the balance of its total investment amount and the registered capital; and (iii) if FIREEs have not obtained the relevant state-owned land use rights certificate, or the capital injected into the project is less than 35% of the total investment amount, such companies cannot borrow foreign debt. These regulations impose restrictions on FIREEs on raising funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. These regulations, however, do not restrict property developers from receiving foreign capital by way of increasing the registered capital of existing foreign-invested companies or through the establishment of new FIREEs, provided that such increase of registered capital or establishment of new company has been duly approved by MOFCOM or its relevant local branch and registered with MOFCOM.

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) on 30 March 2015 and became effective on 1 June 2015. According to the circular herein, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement. In a discretional settlement of the foreign exchange

capital of foreign-invested enterprises, the rights and interests of monetary contribution have to be confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks).

As a foreign-invested PRC property developer, the Restructured Group is subject to this notice. However, there can be no assurance that the Restructured Group will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, there can be no assurance that the PRC government will not introduce new policies that further restrict the ability of the Restructured Group to repatriate funds to the PRC. Should there be any limitation on the Restructured Group's ability to repatriate funds to the PRC, its liquidity and ability to fund and expand its business could be adversely and materially affected.

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

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

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

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

5. RISK RELATING TO THIS CIRCULAR

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

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

The following are the Directors and senior management as at the Latest Practicable Date and immediately following SP Completion:

1. Existing executive Directors

Name	Address	Nationality
Mr. NG Cheuk Fan, Keith (吳卓凡) *(Note)*	Flat A, 36/F., Tower 19 South Horizons, Ap Lei Chau Hong Kong	Chinese
Mr. TANG Kwok Hung (鄧國洪)	Flat E, 10/F. Kiu Wang Mansion, 3 Hok Yu Lane Ho Man Tin, Kowloon Hong Kong	Chinese

2. Existing independent non-executive Directors

Name	Address	Nationality
Mr. MAK Ka Wing, Patrick (麥家榮)	Flat C, 10/F. Ka Fu Building 19–27 Bonham Road, Mid-levels Hong Kong	Chinese
Mr. CHAN Chi Yuen (陳志遠) *(Note)*	Flat A, 31/F., Tower 8, The Palazzo 28 Lok King Street Shatin, New Territories Hong Kong	Chinese
Mr. XIE Tom (謝祺祥) *(Note)*	Flat 20B, Tower 5, Pacific Palisades 1 Braemar Hill Road Hong Kong	Chinese

The following are the proposed Directors immediately following SP Completion:

3. Proposed executive Directors

Name	Address	Nationality
Mr. PAN Weiming (潘偉明)	Room 701, No. 33 River East Hongli Village Conghua District Guangzhou City Guangdong Province PRC	Chinese

Name	Address	Nationality
Mr. PAN Jungang (潘俊鋼)	Room 101, No. 19 Jiale South Street Jiale Yuan Guangcong Road Guangzhou City Guangdong Province PRC	Chinese
Ms. CHEN Weihong (陳偉紅)	House One No. 10 Lvjing Street Yiquan Mountain Villa Jiekou Street Conghua District Guangzhou City Guangdong Province PRC	Chinese
Mr. PAN Haoran (潘浩然)	Room 3308, 41/F. II Zhonglvcheng North Building No. 128 Wusi Road Gulou District Fuzhou City Fujian Province PRC	Chinese
Mr. LI Jinrong (利錦榮)	Room 905 No. 2 Qianlong Tianxia Neighbourhood South Wuyi Road Taijiang District Fuzhou City Fujian Province PRC	Chinese

Proposed independent non-executive Directors

Name	Address	Nationality
Mr. YUEN Chee Lap, Carl (源自立)	Flat LD, 25/F. Tower 3, Le Prestige Lohas Park Hong Kong	Chinese
Mr. YANG Xiaoping (楊小平)	26A, Blk 6, Hai Hua Garden 38 Lane Da Pu Road Shanghai PRC	Chinese

Note: Mr. Ng Cheuk Fan, Keith, Mr. Chan Chi Yuen and Mr. Xie Tom will resign upon SP Completion.

Proposed senior management

Name	Address	Nationality
Ms. Wu Jihong (吳繼紅)	Room 20D, Tower F Yuetao Xuan No. 8 Shanghu Street Yiyuan Road Haizhu District Guangzhou City Guangdong Province PRC	Chinese

Please refer to the section headed "Directors and senior management of the Restructured Group" in this circular for further details.

Sponsor to the Company	**Ample Capital Limited** 14A Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Joint Financial Advisers to the Company	**Kingston Corporate Finance Limited** 2801 One International Finance Centre 1 Harbour View Street Central Hong Kong **Veda Capital Limited** Room 1106, 11/F. 111 Connaught Road Central Sheung Wan Hong Kong
Independent financial adviser to the Independent Board Committee and to the Independent Shareholders	**Messis Capital Limited** Room 1606, 16/F. Tower 2, Admiralty Centre 18 Harcourt Road Hong Kong

Legal advisers to the Company	*as to Hong Kong Law on the Acquisition* **David Chan & Carmen Chan, Solicitors** 3006, 30/F., West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong *as to Hong Kong Law on the new listing application* **Troutman Sanders** 34/F., Two Exchange Square 8 Connaught Place Central Hong Kong *as to PRC Law* **Commerce & Finance Law Offices** 6/F., NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC *as to Bermuda Law* **Conyers Dill & Pearman** 29/F., One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sponsor	*as to Hong Kong Law* **Addleshaw Goddard (Hong Kong) LLP** 802–804 Champion Tower 3 Garden Road Central Hong Kong
Reporting accountants in relation to the Target Group	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35th floor, One Pacific Place 88 Queensway Hong Kong

Reporting accountants in relation to the Company	**ZHONGHUI ANDA CPA Limited** *Certified Public Accountants* Unit 701, 7th floor Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Property valuer and property market consultant	**DTZ Cushman & Wakefield Limited** 16/F., Jardine House 1 Connaught Place Central Hong Kong
Compliance adviser	**Ample Capital Limited** 14A Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong

Registered office	Clarendon House, 2 Church Street Hamilton HM11, Bermuda
Principal place of business in Hong Kong	Unit 2408, 24/F., World-wide House 19 Des Voeux Road Central, Hong Kong
Company Secretary	Ms. CHAN Lo Sho *(HKICPA)*
Audit Committee	Mr. CHAN Chi Yuen *(Chairman) (Note)* Mr. MAK Ka Wing, Patrick Mr. XIE Tom *(Note)*
Remuneration Committee	Mr. MAK Ka Wing, Patrick *(Chairman)* Mr. CHAN Chi Yuen *(Note)* Mr. XIE Tom *(Note)*
Nomination Committee	Mr. MAK Ka Wing, Patrick *(Chairman)* Mr. CHAN Chi Yuen *(Note)* Mr. XIE Tom *(Note)*
Bermuda principal share registrar and transfer office	**Conyers Corporate Services (Bermuda) Limited** Clarendon House, 2 Church Street Hamilton HM11, Bermuda
Hong Kong branch share registrar	**Tricor Tengis Limited** Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong
Authorised representatives	Mr. TANG Kwok Hung Flat E, 10/F. Kiu Wang Mansion, 3 Hok Yu Lane Ho Man Tin, Kowloon Hong Kong Ms. CHAN Lo Sho Flat G, 9/F., Block 5 Tseung Kwan O Plaza 1 Tong Tak Street Tseung Kwan O Kowloon, Hong Kong
Principal banker	**Fubon Bank Limited** Fubon Bank Building 38 Des Voeux Road Central Hong Kong

Company's website	www.uright.com.hk *(Information on this website does not form part of this circular)*
Financial year end of the Company	31 March

Note: Upon SP Completion, (1) Mr. CHAN Chi Yuen will resign as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee; (2) Mr. XIE Tom will resign as an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee; (3) Mr. YANG Xiaoping will be appointed as an independent non-executive Director and a member of each of the audit, remuneration and nomination committees; and (4) Mr. YUEN Chee Lap, Carl will be appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee.

U-RIGHT INTERNATIONAL HOLDINGS LIMITED
佑威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 627)

Executive Directors:
Mr. NG Cheuk Fan, Keith
Mr. TANG Kwok Hung

Independent Non-Executive Directors:
Mr. XIE Tom
Mr. MAK Ka Wing, Patrick
Mr. CHAN Chi Yuen

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
Unit 2408, 24/F.
World-wide House
19 Des Voeux Road Central
Hong Kong

27 October 2017

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) VERY SUBSTANTIAL DISPOSALS;
(5) PLACING OF SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(6) PROPOSED SHARE PREMIUM REDUCTION;
(7) PROPOSED CHANGE OF NAME OF THE COMPANY;
(8) PROPOSED ADOPTION OF SHARE OPTION SCHEME; AND
(9) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

After trading hours on 14 April 2015, the Company (as the purchaser) and the Vendor entered into the SP Agreement pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Shareholders' Loan for the consideration of HK$1,511,313,200.

* *For identification purposes only*

The purpose of this circular is to provide the Shareholders with further details of, among other things, (i) the SP Agreement and the Acquisition together with, inter alia, the property valuation report of the Target Group and the financial information of the Target Group and the Restructured Group; (ii) the Whitewash Waiver; (iii) the Share Premium Reduction; (iv) the Name Change; (v) the Share Placing and CB Placing; (vi) the Disposals; (vii) the proposed adoption of the Share Option Scheme; (viii) the recommendation of the IBC and the letter of advice from the Independent Financial Adviser to the IBC and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder; (ix) details of the proposed appointment of new Directors; and (x) the notice of the SGM. For the avoidance of doubt, the Acquisition, the Whitewash Waiver, the Share Placing and the Disposals are inter-conditional with each other.

I. THE SP AGREEMENT AND THE ACQUISITION

Date: 14 April 2015 (as amended and supplemented by the Supplemental Agreements)

Parties: 1. The Company (as the purchaser)

2. Tongda Enterprises Limited (as the Vendor)

The Vendor is a limited company incorporated in the BVI and is principally engaged in investment holding. Immediately prior to the entering into of the SP Agreement, the ultimate beneficial owner of the Vendor, Mr. Pan, was holding 1,080,000 Shares, representing approximately 0.08% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, and its ultimate beneficial owner are Independent Third Parties to the Company and its current connected persons.

Subject matter

Pursuant to the SP Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholders' Loan, representing all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on the date of the SP Completion.

As at the Latest Practicable Date, the shareholders' loan provided by the Vendor to the Target Company pursuant to the Loan Agreement amounting to approximately US$50.13 million (equivalent to approximately HK$388 million). As confirmed by the Vendor, it has no intention to advance further loan to the Target Company prior to SP Completion. The Shareholders' Loan shall be settled by the Company by issuing of the Consideration Shares and cash and/or the Promissory Note (if applicable).

Through the Acquisition, the Company will acquire the Target Group's equity interests in the PRC Operating Subsidiaries, which own and operate six property development projects in Changsha, PRC. Further information on the Target Group is set out in the paragraph headed "Information on the Vendor and the Target Group" in this letter and the section headed "Business of the Target Group" in this circular.

The Consideration

The consideration for the sale and purchase of the Sale Shares and the Shareholders' Loan is HK$1,511,313,200, which will be satisfied by (i) the issue of not more than 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share; and (ii) the remaining amount of HK$100,000,000 by cash and/or the Promissory Note (if applicable).

The Consideration Shares will be allotted and issued pursuant to a specific mandate proposed to be obtained at the SGM.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor on normal commercial terms, taking into consideration of (i) the net asset value of the Target Group attributable to the equity shareholders of the Target Company as shown in the management account as at 30 June 2016 of approximately RMB264,405,209; (ii) with reference to the valuation of the properties of the Target Group of approximately RMB3,531,710,000 as at 30 June 2016; and (iii) the depreciation of RMB of approximately 6.63%. The Consideration represents an excess of approximately HK$1.2 billion over the net asset value of the Target Group attributable to the equity shareholders of the Target Company as at 30 June 2016.

Having considered the above factors, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the opinion that the terms of the SP Agreement (including the Consideration) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

A. The Consideration Shares and the Issue Price

Pursuant to the SP Agreement, the Company will issue not more than 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share to the Vendor (or its nominees) as part of the Consideration.

The Consideration Shares represent (i) approximately 4.85 times of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 82.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) approximately 61.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares; and (iv) approximately 56.41% of the issued share

capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds in full.

The issue price of HK$0.22 per Consideration Share represents:

(i) a discount of approximately 70.27% to the closing price of the Shares of HK$0.740 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 68.75% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$0.704 per Share;

(iii) a discount of approximately 65.63% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$0.640 per Share;

(iv) a discount of approximately 62.46% to the average of the closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$0.586 per Share;

(v) a discount of approximately 81.03% to the closing price of the Shares of HK$1.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 141.76% over the audited net asset value per Share of approximately HK$0.091 based on the published audited consolidated net asset value of the Company of approximately HK$119,746,000 as at 31 March 2017 and the issued share capital of 1,321,682,525 Shares as at the Latest Practicable Date.

The Issue Price was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the prevailing market price of the Shares; (ii) the audited net asset value of the Company as at 31 March 2015; (iii) the materialisation of the Disposals; and (iv) the current market conditions. Based on the above, the Directors consider that the Issue Price is fair and reasonable to the Company and the Shareholders as a whole.

Although the Issue Price represents a significant discount to the prevailing market price of the Company on the Last Trading Day, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of

Independent Financial Adviser) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the following reasons:

- the benefits of the Acquisition as detailed in the paragraph headed ''Reasons for the Acquisition'' in this letter;
- the materialisation of the Disposals which are conditions precedent under the SP Agreement, will significantly affect the revenue sources and the financial performances of the Group which the closing price of the Shares has not reflected in; and
- the Issue Price will represent a significant premium over the audited net asset value per Share as at 31 March 2017 taking into effect of the completion of the Disposals.

The Consideration Shares, when issued and allotted, will rank pari passu in all respects with the Shares in issue.

Application for the listing of the Consideration Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares to be issued and allotted pursuant to the SP Agreement.

Proposed transfer of certain Consideration Shares

It is the intention of the Vendor to transfer, by way of gift, upon the expiry of the six months after the SP Completion, 300,000,000 Consideration Shares (the ''**Granted Shares**'') to 36 individuals (the ''**Transferees**'') who are/were the members of the senior management of the Excluded Companies and Fujian Liujian Group. The Transferees are mainly holding the positions of director, general manager and deputy general manager in those companies and have assisted Mr. Pan in the development of his business during the past years. As at the Latest Practicable Date, none of the Transferees is a Shareholder.

Among the Transferees, four of them are also the members of the senior management of the Target Group and one of them is also a member of the senior management of a subsidiary of the Target Company as at the Latest Practicable Date. Upon SP Completion, such four Transferees will become senior management of the Company. All the Transferees are Independent Third Parties except for (i) Mr. Pan Haoran who is the son of Mr. Pan; (ii) Mr. Pan Jungang who is the brother of Mr. Pan; (iii) Mr. Li Jinrong who is the director of a subsidiary of the Target Group; and (iv) Ms. Wu Jihong who is the director of a subsidiary of the Target Group and the sister-in-law of Mr. Pan's wife, Ms. Chen Weihong. The purpose of such arrangement is primarily to reward and recognise their contributions to the success of Mr. Pan's business development.

A special vehicle wholly owned by Mr. Pan has been specifically set up for the purpose of holding the Granted Shares on trust for the Transferees. The transfer of the Granted Shares from the special vehicle to the Transferees will be conditional on the Transferees remain as an employee of those companies controlled by Mr. Pan. As the special vehicle is wholly owned by Mr. Pan, the Granted Shares will not be counted towards the public float of the Company at Completion.

For further details of the proposed transfer of the Granted Shares, please refer to the section headed "Relationship with the controlling shareholders" in this circular.

B. Principle terms of the Promissory Note

The principal terms of the Promissory Note are summarised below:

Issuer	the Company
Principal amount	up to HK$100,000,000
Maturity	the second anniversary of the issue date of the Promissory Note
Interest	the Promissory Note shall bear no interest
Early repayment	the Company could, at its discretion, repay the Promissory Note in whole or in part prior to the maturity date and there will not be any premium over or discount to the payment obligations under the Promissory Note for any early repayment
Transferability	the Promissory Note is not transferable or assignable unless with the prior consent of the opposing party

The Directors are of the view that the terms of the Promissory Note are fair and reasonable.

SP Completion

The SP Completion shall take place on the completion date falling on the 5th Business Day (or such other date as the Vendor and the Company may agree in writing) after all the conditions precedent under the SP Agreement having been fulfilled or waived (as the case may be) by the relevant parties.

Upon SP Completion, the Restructured Group will own the entire issued share capital of the Target Company and its results will be consolidated into the financial results of the Restructured Group in accordance with the relevant accounting standards.

Conditions precedent

SP Completion is conditional upon fulfilment of the following conditions:

(a) the passing of resolutions by the Shareholders or Independent Shareholders (as the case may be) at the SGM by way of poll approving, among others:

(1) the SP Agreement and the transactions contemplated thereunder including the Acquisition and the specific mandate for the issue of the Consideration Shares;

(2) the Whitewash Waiver;

(3) the Disposals;

(4) the Share Premium Reduction; and

(5) the Share Placing of not less than 2,727,280,000 new Shares including the specific mandate for the issue of the Placing Shares;

(b) the Stock Exchange having granted the listing of, and the permission to deal in the Consideration Shares and such grant has not been revoked as at the date of the SP Completion;

(c) the Share Premium Reduction becoming effective;

(d) the Company having entered into one or more sale and purchase agreement(s) in respect of the Disposals of which the conditions precedent of such agreement(s) are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the such agreement(s) requiring the fulfilment of the conditions precedent of the SP Agreement);

(e) the Company having entered into agreement(s) with one or more than one placing agent(s) in respect of the placing of not less than 2,727,280,000 new Shares at a price of HK$0.22 per Placing Share, of which the conditions precedent of such agreements are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in such agreement(s) requiring the fulfilment of the conditions precedent of the SP Agreement);

(f) the Vendor having obtained all necessary approvals, authorisations and consents from and completed all necessary registrations and filings (if applicable) with the governmental authorities or regulatory bodies (including but not limited to the governmental authorities or regulatory bodies in the PRC), its shareholders or any third parties in respect of the SP Agreement and the transactions contemplated thereunder;

(g) the Company having obtained from the Vendor a disclosure letter in relation to the representations, undertakings, covenants and warranties given by the Vendor under the SP Agreement; and the Company being reasonably satisfied with the

results of the due diligence exercises in respect of the Target Group's assets, debts, operation, taxation matters, books and accounts, corporate records and legal matters;

(h) the Company having obtained a valuation report on the properties of the Target Group as at 31 July 2017 (or any such other date as agreed by the Company and the Vendor) from a qualified valuer engaged by the Company and such valuation shall have no material adverse change in comparing the draft valuation report;

(i) no material adverse change or prospective material adverse change in comparing the Target Group's unaudited and audited financial results for the three financial years ended 31 December 2016 and for the four months ended 30 April 2017;

(j) the Vendor having delivered to the Company the certificates of good standing and certificates of incumbency of the Target Company and the companies within the Target Group which were incorporated in the BVI, such certificates being dated not more than ten Business Days before the date of the SP Completion;

(k) the Vendor having confirmed to the Company in writing that the conditions precedent referred to in (f) and (n) have been satisfied as at the SP Completion;

(l) the Vendor having obtained from the Company a disclosure letter in relation to the representations, undertakings, covenants and warranties given by the Company under the SP Agreement; and the Vendor being reasonably satisfied with the results of the due diligence exercises in respect of the Group's assets, debts, operation, taxation matters, books and accounts, corporate records and legal matters;

(m) the Company having confirmed to the Vendor in writing that the condition precedent referred to in (o) has been satisfied as at the SP Completion;

(n) the warranties given by the Vendor to the Company being true and accurate in all material respects when made, and being true and accurate in all material respects on and as of the date of the SP Completion;

(o) the warranties given by the Company to the Vendor being true and accurate in all material respects when made, and being true and accurate in all material respects on and as of the date of the SP Completion;

(p) the Company having obtained the approval in principle from the Listing Committee pursuant to the Rule 14.54 of the Listing Rules with respect to the new listing application by way of the Acquisition and the transactions contemplated thereunder (and such permission and listing not subsequently being withdrawn or revoked);

(q) the Company having obtained a legal opinion on the Target Group from a PRC legal adviser engaged by the Target Company in respect of the Target Group's assets, debts, operation, taxation matters, books and accounts, corporate records and legal matters and such opinion shall be in such form and substance to the reasonable satisfaction of the Company; and

(r) the Executive having granted the Whitewash Waiver to the Vendor, and such grant has not been withdrawn or revoked thereafter.

Except that the Company may waive in part or in whole the conditions precedent referred to in (g) and (j) above at its sole discretion at any time by notice in writing to the Vendor and the Vendor may waive in part or in whole the conditions precedent referred to in (l) at its sole discretion at any time by notice in writing to the Company, all other conditions precedent under the SP Agreement cannot be waived.

If any of the conditions precedent has not been fulfilled or waived in accordance with the terms of the SP Agreement on or before the Long Stop Date (except that conditions precedent referred to in (k) and (m) can take place simultaneously with SP Completion), the SP Agreement shall automatically terminate and none of the Company nor the Vendor shall have any claim against the other, save for any antecedent breach of the terms of the SP Agreement.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled and the Company and the Vendor have no intention to waive any of the conditions precedent.

With respect to the condition precedent referred to in (f) above, as at the Latest Practicable Date, having made reasonable enquiries, the Vendor is not aware that any approvals, authorisations and consents from any governmental authorities or regulatory bodies (including but not limited to the governmental authorities or regulatory bodies in the PRC) or any third parties in respect of the SP Agreement and the transactions contemplated thereunder shall be obtained.

Information on the Vendor and the Target Group

The Vendor is a limited company incorporated in the BVI and is principally engaged in investment holding. Immediately prior to the entering into of the SP Agreement, the ultimate beneficial owner of the Vendor, Mr. Pan, was holding 1,080,000 Shares, representing approximately 0.08% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties. As advised by the Vendor, it is the intention of the Vendor to have a listing platform which is more transparent for the Target Group's future business development. Furthermore, the listing platform can provide the Target Group with more diversified methods to conduct fund raising activities if it is needed for its business development in the future. Hence, by proceeding with the Acquisition by way of reverse takeover instead of an initial public offering, the Vendor is able to minimise the risks associated with underwriting an initial public offering, for example, under Rule 8.08(2) of the Listing Rules, a minimum number

of 300 shareholders is required for a class of securities new to listing. In situations where the underwriter(s) for an initial public offering is/are unable to procure at least 300 shareholders, the initial public offering will lapse. As the Company already has an established shareholder base, the Vendor expects the Restructured Group would be able to fulfil the requirements under Rule 8.08(2) of the Listing Rules at the time of the SP Completion without the aforementioned risks associated with an initial public offering, such as delay in timetable as a result of under subscription.

The Target Company is a limited liability company incorporated in the BVI on 29 October 2014 and has a total issued capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. The Target Company is a wholly-owned subsidiary of the Vendor, which is in turn wholly owned by Mr. Pan. The Target Company is an investment holding company and the Target Group is principally engaged in the development and sale of residential and commercial properties in the PRC.

Mr. Pan has extensive experience in corporate management and has over 20 years of experience in the development of real properties in the PRC. Mr. Pan has been the executive director of Guangzhou Yunxing Property Development Group Co., Ltd* (廣州雲星房地產開發集團有限公司), a real property developer in the PRC, since 1993 and the president of Fusheng Group, a real property developer in the PRC, since 2007.

Information of the Target Group's property development projects (the "Target Projects")

As at the Latest Practicable Date, the property portfolio of the Target Group comprised of six property development projects under various stages of the development cycle in Changsha City, Hunan Province of the PRC. Further information of these property development projects as at 31 July 2017 are set out in the table below:

PRC Operating Subsidiaries	Project	Location	Planned use	Total GFA of each project (sq.m.) *(Notes 1 and 2)*	Effective interest attribute to the Target Group	Stage of development as of 31 July 2017	Actual/expected completion date *(Note 2)*	Revenue generation during the year ended 31 December 2016
Hunan Fullsun	Qianlong Royal Family (錢隆世家)	Changsha	Residential complex	437,760	100%	Partially completed and under development; partially held for future development	December 2019	Yes
Hunan Longxiang	Fullsun International Financial Centre (福晟國際金融中心)	Changsha	Commercial	163,861	100%	Under development	December 2017	No
Hunan Shengran	Qianlong International (錢隆國際)	Changsha	Residential and commercial	236,362	100%	Partially completed; partially held for future development	June 2021	No
Hunan Weilong	Qianlong Academy (錢隆學府)	Changsha	Residential	172,456	100%	Completed	July 2014	Yes
Hunan Weilong	Qianlong Fine Art (錢隆樽品)	Changsha	Residential and commercial	252,862	100%	Completed	August 2014	Yes
Hunan Zhonglv	Qianlong Premier Mansion (錢隆首府)	Changsha	Residential	176,410	100%	Completed	December 2015	Yes

Notes:

1. *The total GFA presented in this table includes saleable/rentable areas, car parks and ancillary facilities and other areas which are non-saleable/rentable.*

2. *Certain information contained in this column is based on the Target Group's internal records or estimation and may be subject to change.*

Please refer to the section headed "Business of the Target Group — 4. Property development projects of the Target Group" in this circular for more information on the Target Projects.

Financial information of the Target Group

Certain key financial information of the Target Group (as extracted from the accountants' report of the Target Group in Appendix III to this circular) for the three financial years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017 are set out as below:

	For the year ended 31 December			For the four months ended 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*
Revenue	1,137,733	942,791	768,363	136,822
Net profit/(loss) before taxation	158,243	232,321	120,800	85,693
Net profit/(loss) after taxation	86,828	122,729	66,752	51,163

As at 30 April 2017, the audited consolidated net asset value of the Target Group was approximately RMB365,858,000.

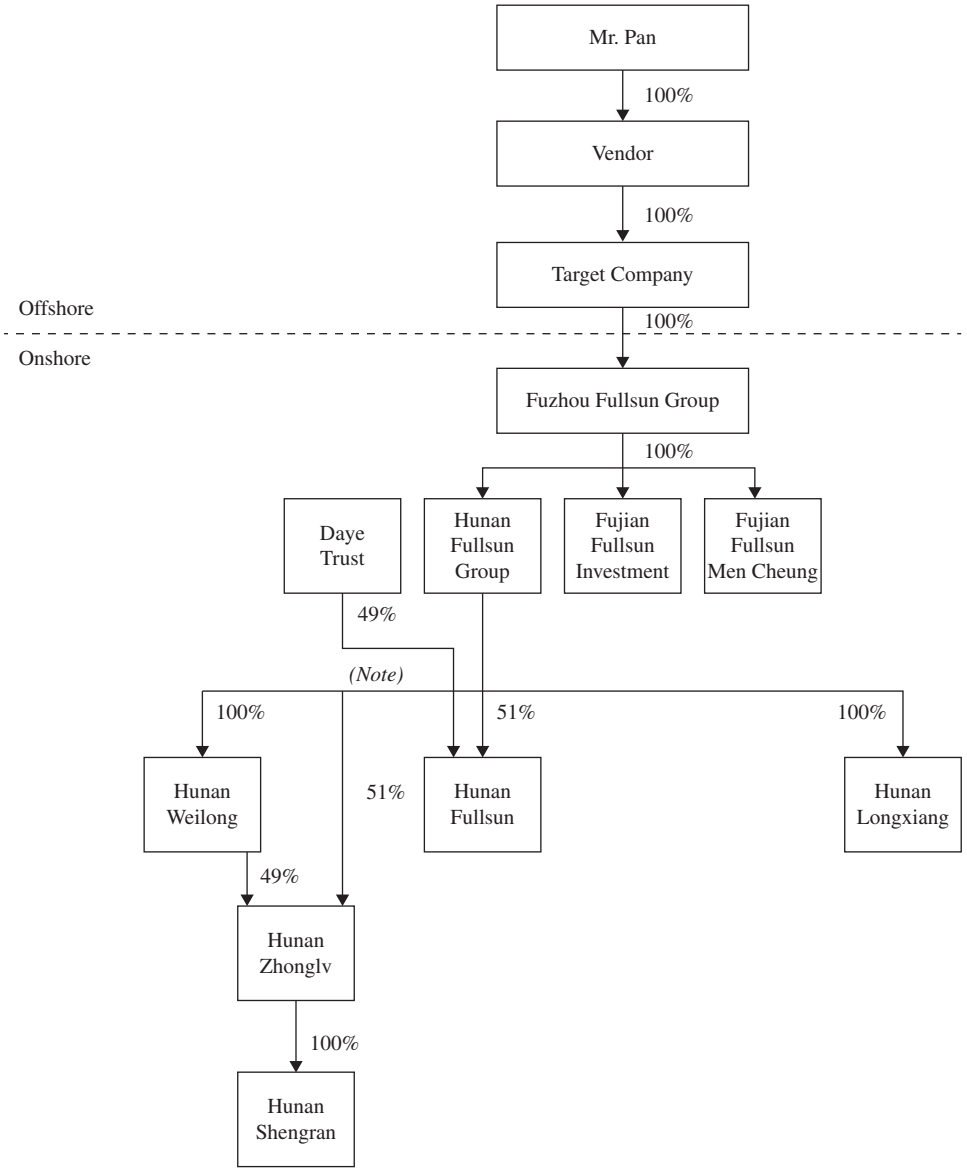
Historically, the Target Group experienced fluctuations in its results of operations, including revenue, gross profit and net profit. These fluctuations were mainly attributable to the GFA completed and delivered in each of the reporting periods. As the Target Group only had a few projects, the development stage of each of its projects would have significant impact on the Target Group's results of operations.

Intention of the Vendor in relation to composition of the Board

The Board is currently made up of five Directors, namely (i) Mr. Tang Kwok Hung and Mr. Ng Cheuk Fan, Keith as executive Directors; and (ii) Mr. Xie Tom, Mr. Mak Ka Wing, Patrick and Mr. Chan Chi Yuen as independent non-executive Directors. Upon SP Completion having taken place, the Vendor will become the controlling Shareholder. In view that the Company's principal business will undergo a substantial change following SP Completion, it is the intention of the Vendor to change the composition of the Board to be in line with the new principal business of the Restructured Group. It is currently expected that Mr. Ng Cheuk Fan, Keith, an executive Director, Mr. Chan Chi Yuen and Mr. Xie Tom, each an independent non-executive Director shall resign while Mr. Tang Kwok Hung, the other executive Director, together with Mr. Mak Ka Wing, Patrick, one of the existing independent non-executive Directors, shall remain on the Board upon SP Completion. In addition, the Vendor is expected to appoint five new executive Directors and two new independent non-executive Directors upon SP Completion. Please refer to the section headed "Directors and senior management of the Restructured Group" in this circular for further details of the existing Directors and the proposed Directors.

Shareholding Structure of the Target Group

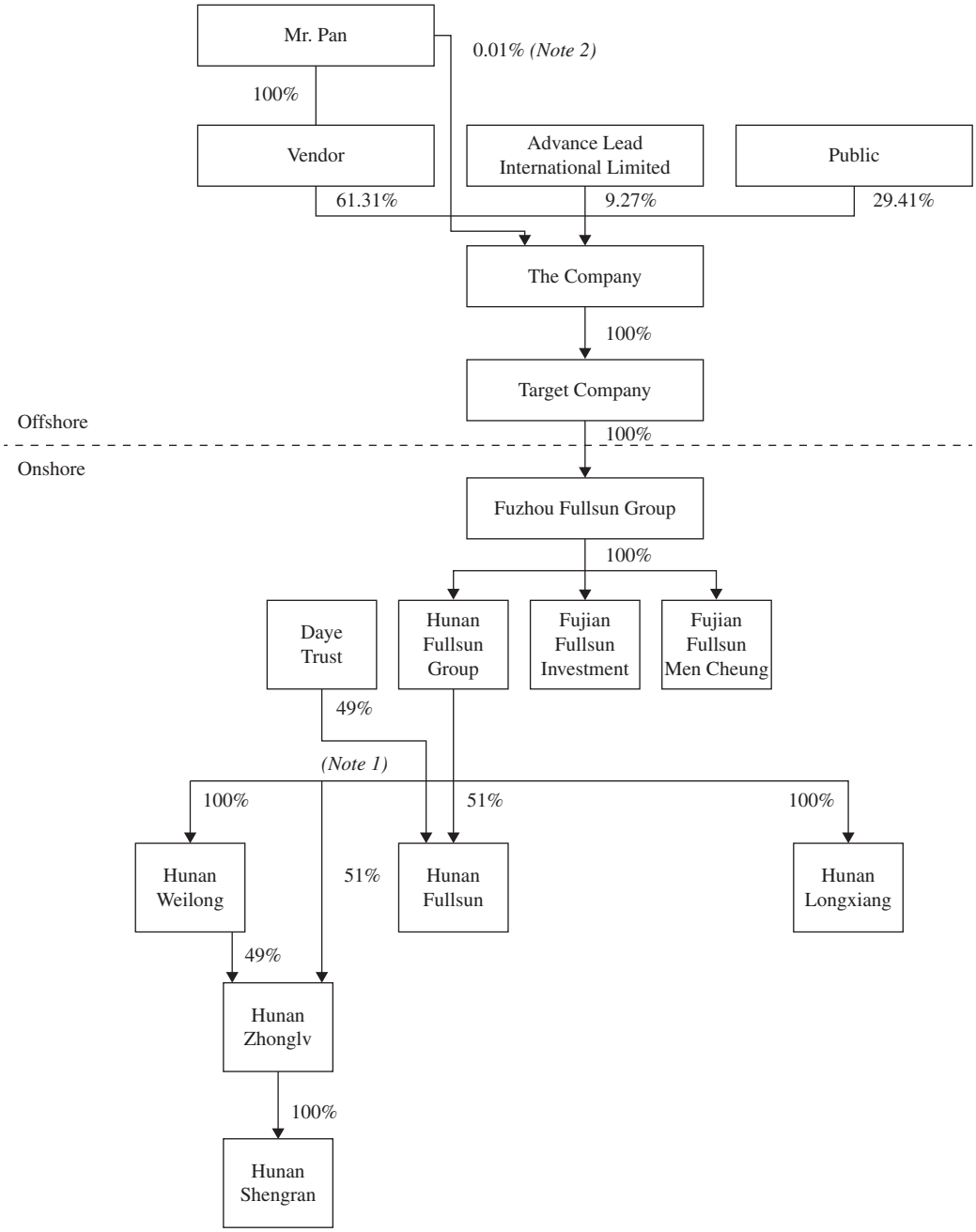
Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



Note:

Pursuant to a financing arrangement, 49% interest in Hunan Fullsun is registered under the name of Daye Trust.

Set out below is the shareholding structure of the Target Group upon SP Completion (i.e. immediately after the issue of the Consideration Shares and the Placing Shares but before the conversion of the Convertible Bonds):



Notes:

1. Pursuant to a financing arrangement, 49% interest in Hunan Fullsun is registered under the name of Daye Trust.

2. 1,080,000 Shares are directly held by Mr. Pan, the ultimate beneficial owner of the Vendor, as at the Latest Practicable Date.

3. The above figures are approximate only.

Information on the Group

The Group is principally engaged in operating with distinctive business lines of wholesale of garments and retail of fashion garments covering men, women and children's wear and trading of construction materials and property investment.

Reasons for the Acquisition

The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) consider the Acquisition to be in the interests of the Company and the Shareholders as a whole for the following reasons:

(i) the Board has continuously been exploring different investment opportunities. Through the Acquisition, the Company can acquire the well-established businesses of the Target Group in the PRC;

(ii) as set out in the recent financial report of the Group, the Group experienced a decline in its garment retail business due to the weak domestic garment market and the emergence of internet retail business in China;

(iii) in light of the weak prospect of wholesaling and retailing of garment business presently carried on by the Group and the various challenges and uncertainties lied ahead in the retailing industry under the current global macro-economic environment, the Acquisition allows the scope of business of the Group to be replaced and the quality assets proposed to be acquired are expected to enhance the Company's value to the Shareholders; and

(iv) the settlement of the consideration under the SP Agreement through the issue of Consideration Shares allows the Company to minimize its funding costs.

Based on the above, the Board is of the view that the Acquisition presents an excellent opportunity for the Group to expand its business portfolio to include and participate in the property business in the PRC with a view to forming a solid foundation for the Group to further enhance returns to the Shareholders.

As stated in the paragraph headed ''The Consideration'' in this letter, the Consideration was arrived at after taking into consideration of (i) the net asset value of the Target Group attributable to the equity shareholders of the Target Company of approximately RMB264,405,209 as shown in the management account as at 30 June 2016; (ii) with reference to the valuation of the properties of the Target Group of approximately RMB3,531,710,000 as at 30 June 2016; and (iii) the depreciation of RMB of approximately 6.63%.

The valuation of the properties of the Target Group as at 30 June 2016 is approximately RMB3,531,710,000 as compared to a valuation of approximately RMB3,910,510,000 as at 31 July 2017 (as set out in Appendix VI to this circular). The difference in the valuation of the properties of the Target Group was mainly due to the increase in expended construction costs on the properties under development during this period.

The Consideration represents a premium to the net asset value of the Target Group attributable to the equity shareholders of the Target Group as at 30 June 2016. However, for Shareholders' references, as at 30 April 2017, the net asset value of the Target Group is approximately HK$413 million and upon taking into account of (i) the amount due to immediate holding company (i.e. the shareholders' loan assigned in the Acquisition) of approximately HK$372 million; and (ii) the net valuation surplus arising from the difference between book value of the properties as at 30 April 2017 and market value of properties as at 31 July 2017 of approximately HK$1,678 million, the Consideration of approximately HK$1,511 million shall represent a discount of approximately HK$952 million as compared to the adjusted value of assets to be acquired.

In consideration of the above, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view that the terms of the SP Agreement, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Financial impact of the Acquisition

Upon SP Completion, the Target Company will become a wholly-owned subsidiary of the Group and the results of the Target Group will be consolidated into the Restructured Group's results.

Based on the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular and the bases and assumptions taken into account in preparing such pro forma financial information, (i) assuming that only the Acquisition had been completed on 31 March 2017 (without taking into account of the Disposals, Share Placing and the CB Placing), (a) the Group's total assets would be increased from approximately HK$161.92 million to approximately HK$3,398.2 million and total liabilities would be increased from approximately HK$42.18 million to approximately HK$2,617.68 million respectively as a result of the Acquisition; (b) the gearing position of the Group would increase from 0.26 (being total liabilities of the Group as at 31 March 2017 of approximately HK$42.18 million divided by the total assets of the Group as at HK$161.92 million as at 31 March 2017) to 0.77 (being the total liabilities divided by the total assets of the Group upon Acquisition); and (c) the bank and cash balance of the Group would increase from approximately HK$3.88 million to approximately HK$381.23 million as a result of the Acquisition; and (ii) assuming that only the Acquisition had been completed on 1 April 2016 (without taking into account of the Disposals, Share Placing and the CB Placing), the revenue of the Group would be increased from

approximately HK$257.89 million to approximately HK$1,154.69 million and the Group would record a loss attributable to owners of the Company of approximately HK$247.97 million as compared to a loss of approximately HK$4.29 million. The details of the financial effect of the Acquisition on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix V to this circular.

According to the annual report of the Group for the year ended 31 March 2017, the Group recorded an audited consolidated loss attributable to owners of the Company of approximately HK$4.29 million for the year ended 31 March 2017. Based on the accountants' report on the Target Group in Appendix III to this circular, the Target Group recorded an audited consolidated profit before tax of approximately RMB120.8 million (equivalent to approximately HK$135.3 million at an exchange rate of RMB1 to HK$1.12) and profit after tax of approximately RMB66.75 million (equivalent to approximately HK$74.76 million at an exchange rate of RMB1 to HK$1.12) for the year ended 31 December 2016. The Directors consider that the Acquisition will bring positive contribution to the earnings of the Restructured Group but the quantification of such contribution will depend on the future performance of the Target Group.

Upon SP Completion, as set out in note (8) to the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular, the Vendor is to obtain the Company and its construction materials business for the purpose of the Acquisition. Under Hong Kong Financial Reporting Standard 3 (Revised), the Group will apply the reverse acquisition method to account for the Acquisition in the consolidated financial statements of the Group and an estimated value of goodwill of the Restructured Group in the amount of approximately HK$277.19 million is expected to arise out of the Acquisition.

The Directors assess whether the goodwill will be impaired in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" based on the management's assessment on the recoverable amount of the cash generating unit of the Company's construction materials business comprising the goodwill. The recoverable amount is not enough to support the carrying amount of cash generating unit comprising the goodwill. Accordingly, the Directors are of the opinion that the estimated amount of goodwill should be fully impaired.

Continuing connected transactions upon SP Completion

Upon SP Completion, any transaction between the Restructured Group and the connected persons of the Company (including the Vendor and its associates) will constitute a connected transaction or continuing connected transaction for the Company and are subject to the requirements set out in Chapter 14A of the Listing Rules. Currently, there are transactions between the Target Group and the connected persons of the Company which are expected to continue after the SP Completion. As at the Latest Practicable Date, a financing arrangement between the Target Group and Daye Trust, which will become a connected person of the Company at the subsidiary level upon SP

Completion, is expected to continue after the SP Completion, the Company will comply with all disclosure requirements under Chapter 14A of the Listing Rules if applicable. For further details, please refer to the section headed "Continuing connected transactions" in this circular.

Listing Rules Implications

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as the applicable percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition.

Further, as the Vendor, being a substantial shareholder of the Target Company, will upon Completion become a controlling shareholder and thus a controller of the Company as a result of the Acquisition, the Acquisition constitutes a connected transaction for the Company pursuant to Rule 14A.28 of the Listing Rules.

FUTURE INTENTION OF THE VENDOR REGARDING THE GROUP

The Vendor does not intend to continue the existing businesses of the Group. After completion of the Acquisition and the Disposals (as detailed in the section), the Restructured Group will primarily focus on property development in the PRC. Other than the introduction of the business of the Target Group and the Disposals, the Vendor does not intend to introduce any major change to the Restructured Group's business (including any re-deployment of the Restructured Group's fixed assets) nor does it intend to discontinue the employment of any of the Group's employees after Completion.

The Vendor intends to maintain the listing status of the Company on the Stock Exchange following Completion.

Risks associated with the Acquisition and the Restructured Group

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

Warnings

The Acquisition is subject to a number of conditions precedent in the SP Agreement, and is inter-conditional with the Share Placing which will be subject to a number of conditions, which may or may not be fulfilled. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

II. REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition.

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) involves an acquisition of assets from the Vendor which will result in a change in control (as defined under the Takeovers Code) of the Company immediately after the allotment and issue of the Consideration Shares.

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

Accordingly, the Acquisition is also subject to the approval by the Stock Exchange. The approval-in-principle to the new listing application was granted by the Stock Exchange on 25 October 2017.

The Acquisition is subject to the approval of the Independent Shareholders at the SGM. The Vendor and its associates are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve, among others, the SP Agreement and the transactions contemplated thereunder. The Consideration Shares will be issued under specific mandate to be obtained at the SGM.

III. IMPLICATIONS OF THE ACQUISITION UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Vendor, its ultimate beneficial owner and parties acting in concert with any of them was holding 1,080,000 Shares, representing approximately 0.08% of the issued share capital of the Company. Immediately following the allotment and issue of the Consideration Shares and the Placing Shares, the shareholding of the Vendor, its ultimate beneficial owner and parties acting in concert with any of them will increase to approximately 61.32% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares. Immediately following the allotment and issue of the Consideration Shares, the Placing Shares and the Conversion Shares, the shareholding of the Vendor, its ultimate beneficial owner and parties acting in concert with any of them will increase to approximately 56.42% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the maximum number of Conversion Shares falling to be issued upon full exercise of the conversion rights attaching to the Convertible Bonds. Under Rule 26.1 of the Takeovers Code, the Vendor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

The Vendor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, amongst other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolution shall be taken by way of poll; (ii) the Vendor and parties acting in concert with it not having acquired any voting rights of the Company in the six months prior to the date of this circular but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the SP Agreement; and (iii) the Vendor and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company between the date of this circular and SP Completion unless with the prior consent of the Executive.

Should the Vendor and parties acting in concert with it hold more than 50% of the enlarged issued share capital of the Company upon SP Completion, the Vendor may increase its shareholding in the Company further without triggering any further general offer obligation under the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent to the SP Completion that the Whitewash Waiver has been obtained. The granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Acquisition. In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the SP Agreement and the transactions contemplated thereunder will not become unconditional and the Acquisition will not proceed.

As at the Latest Practicable Date, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If concerns arise before the despatch of this circular, the Company will use its best endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

The SP Agreement and the transactions contemplated thereunder and the Whitewash Waiver are subject to approval by the Independent Shareholders at the SGM. Since (i) Mr. Pan holds 1,080,000 Shares; and (ii) each of the Vendor, Mr. Pan and their respective associates has material interests in the SP Agreement and/or the Whitewash Waiver, therefore, the Concert Group are required to abstain from voting on relevant resolutions in respect of the SP Agreement and the Whitewash Waiver at the SGM.

IV. PROPOSED SHARE PREMIUM REDUCTION

Subject to the approval by the Shareholders at the SGM, the Board proposes the Share Premium Reduction by cancelling the entire amount standing to the credit of the share premium account of the Company as at the date of passing the resolution and to transfer the credit arising therefrom to the contributed surplus account of the Company which may be used in any manner permitted by the Bye-laws including, without limitation, to set off against the accumulated losses of the Company. As at 31 March 2017, based on the audited financial statements of the Company, the audited amount standing to the credit of the share premium account of the Company was approximately HK$783.16 million and the amount of accumulated losses of the Company was approximately HK$755.51 million. Upon completion of the Share Premium Reduction and the transfer of the credit arising therefrom to the contributed surplus account of the Company, an amount of approximately HK$755.51 million standing to the credit of the contributed surplus account of the Company be applied to set off against the accumulated losses of the Company as at 31 March 2017.

The Share Premium Reduction is conditional upon (i) the approval of the Share Premium Reduction by the Shareholders by way of a special resolution at the SGM; (ii) compliance with section 46(2) of the Companies Act; and (iii) compliance of the applicable procedures and requirements under the laws of Bermuda and the Bye-laws to effect the Share Premium Reduction.

Reasons for the Share Premium Reduction

The Board considers that the Share Premium Reduction may be applied towards elimination of accumulated losses of the Company and also provide greater flexibility in relation to its dividend distribution in the future if and when the Board considers appropriate. The Board therefore considers that the Share Premium Reduction is in the interests of the Company and the Independent Shareholders as a whole.

Effect of the Proposed Share Premium Reduction

The Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve any reduction in the nominal value of the Shares or trading arrangements concerning the Shares. The Board considers that the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole, other than related expenses incurred which are immaterial. There are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they become due.

V. PROPOSED CHANGE OF NAME OF THE COMPANY

Subject to approval by the Shareholders at the SGM, the Company proposes the Name Change to change the English name of the Company from "U-RIGHT International Holdings Limited" to "Fullsun International Holdings Group Co., Limited" and to adopt and register a Chinese name "福晟國際控股集團有限公司" as its secondary name, and to cease to use its existing Chinese name "佑威國際控股有限公司" for identification purpose upon Completion.

Conditions for the Name Change

The Name Change is conditional upon the following conditions having been satisfied:

1. the passing of a special resolution by the Shareholders at the SGM approving the Name Change;

2. the SP Completion; and

3. the Registrar of Companies in Bermuda granting approval for the Name Change.

Reasons for the Name Change

The Name Change is to reflect the Company's plan to focus on its new businesses in property development, apart from its existing businesses in operating with distinctive business lines of wholesale of garments and retail of fashion garments covering men, women and children's wear. In addition, the Board believes that the new English and Chinese names of the Company will improve the Company's corporate image and identity, which the Board considers to be in the interests of the Company and the Shareholders as a whole.

Effect of the Name Change

Assuming all the conditions set out in the paragraph headed "Conditions for the Name Change" in this letter having been fulfilled, the Name Change will take effect from the date of entry of the new name of the Company on the register maintained by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

The Name Change will not affect any rights of the Shareholders or the Company's daily business operation or its financial position. All existing share certificates of the Company in issue bearing the current name of the Company will, upon the Name Change becoming effective, continue to be good evidence of legal title to such Shares and will remain valid for trading, settlement, registration and delivery purposes.

There will not be any arrangement for the exchange of the existing share certificates for new share certificates bearing the new name of the Company. Upon Name Change becoming effective, all new share certificates will be issued only in the new name of the Company.

In addition, subject to confirmation by the Stock Exchange, the English and Chinese stock short names of the Company for trading in the securities on the Stock Exchange will also be changed after the Name Change becoming effective. Further announcement(s) will be made by the Company in relation to the effective dates of the Name Change and the change of the English and Chinese stock short names as and when appropriate.

VI. SHARE PLACING AND CB PLACING

On 20 October 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place (i) an aggregate of 2,727,280,000 Placing Shares at HK$0.22 per Placing Share, on a best effort basis, to not less than six Share Placees who and whose ultimate beneficial owners are Independent Third Parties; and (ii) the Convertible Bonds with an aggregate principal amount of not more than HK$200,000,000 at an initial price of HK$0.22 per Conversion Share (subject to adjustments) on a best effort basis, to CB Placees who and whose ultimate beneficial owners are Independent Third Parties during the Placing Period.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties and not existing Shareholders.

Share Placees

The Placing Shares will be placed to not less than six Share Placees who are not existing Shareholders and whose ultimate beneficial owners (a) are Independent Third Parties; (b) shall be independent of and not be parties acting in concert with any persons, other Share Placee(s) or Shareholder(s) or their respective associates to the effect that any placing to such Share Placee(s) shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code; (c) shall be independent of the Vendor, its ultimate beneficial owner and parties acting in concert with them; (d) shall be independent of the proposed Directors referred to in the section headed "Directors and senior management of the Restructured Group" in this circular and the connected persons after completion of the Acquisition and the proposed change of Directors; and (e) shall be regarded as public (within the meaning as defined under the Listing Rules). It is expected that none of the Share Placees will become substantial shareholder of the Company immediately upon completion of the Share Placing.

Placing Shares

The 2,727,280,000 Placing Shares represent (i) approximately 2.06 times of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 26.06% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Placing Shares; and (iii) approximately 23.98% of the

issued share capital of the Company as enlarged by the issue of the Consideration Shares, Placing Shares and the Conversion Shares (assuming the principal amount of the Convertible Bonds is HK$200,000,000).

In the event that the 2,727,280,000 Placing Shares cannot be fully placed by the Placing Agent, the Placing shall lapse and the parties' obligations under the Placing Agreement shall cease and no party to the Placing Agreement shall have any claim against the other in respect of any matter arising out of the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

The Placing Shares will be issued under a specific mandate to be obtained at the SGM.

Ranking of Placing Shares

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Placing Shares.

Share Placing Price

The Share Placing Price of HK$0.22 represents:

(i) a discount of approximately 82.11% to the closing price of the Shares of HK$1.23 per Share as quoted on the Stock Exchange on 20 October 2017 (being the last full trading day for the Shares before the date of the Placing Announcement);

(ii) a discount of approximately 81.45% to the closing price of the Shares of HK$1.186 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 20 October 2017 (being the last full trading day for the Shares before the date of the Placing Announcement);

(iii) a discount of approximately 79.76% to the closing price of the Shares of HK$1.087 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 20 October 2017 (being the last full trading day for the Shares before the date of the Placing Announcement);

(iv) a discount of approximately 71.87% to the closing price of the Shares of HK$0.782 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 20 October 2017 (being the last full trading day for the Shares before the date of the Placing Announcement);

(v) a discount of approximately 81.03% to the closing price of the Shares of HK$1.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 141.76% over the net asset value per Share of the Company of approximately HK$0.091 based on the annual report of the Company for the year ended 31 March 2017 of approximately HK$119,746,000 as at 31 March 2017 and issued share capital of 1,321,682,525 Shares as at the Latest Practicable Date.

The Share Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to (i) the prevailing market price of the Shares; (ii) the net asset value of the Company as at 31 March 2017; and (iii) the current market conditions. Despite that the Share Placing Price represents a discount to the closing price of the Shares on the Latest Practicable Date, the closing prices of the Shares on the Stock Exchange closed within a wide range from HK$0.39 to HK$1.36 upon entering into the SP Agreement and up to the Latest Practicable Date and had particularly demonstrated huge fluctuations upon resumption of trading in Shares on 28 October 2015. Given the fact that (i) there is a huge instability of the closing price of the Shares and the volatility of the stock market; (ii) the Share Placing Price represents a huge premium to the net asset value per Share of the Company as at 31 March 2017; and (iii) the Share Placing is one of the conditions precedent of the Acquisition whereas the success of the Acquisition allows the Group to dip into the PRC property market and to exit the wholesaling and retailing of garment business, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) consider that the Share Placing Price is fair and reasonable to the Company and the Shareholders as a whole.

It is expected that the gross and net proceeds from the Share Placing (after deducting commission) will amount to approximately HK$600 million and approximately HK$594 million respectively. The net placing price of each Placing Share is approximately HK$0.218.

Commission of the Share Placing

The Placing Agent will receive a placing commission of 1.0% of the amount equal to the Share Placing Price multiplied by 2,727,280,000 Placing Shares. Such placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current market condition and the time allowed for the Placing Agent to procure Share Placees for the Share Placing. The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view that the placing commission payable under the Share Placing is fair and reasonable.

Completion of the Share Placing

Completion of the Share Placing will take place on the date of the SP Completion (which will be simultaneously with or immediately after the SP Completion).

The CB Placing

CB Placees

The Convertible Bonds will be placed to the CB Placees who are not existing Shareholders and whose ultimate beneficial owners (a) are Independent Third Parties; (b) shall be independent of and not be parties acting in concert with any persons, other CB Placee(s) or Shareholder(s) or their respective associates to the effect that any placing to such CB Placee(s) shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code; (c) shall be independent of the Vendor, its ultimate beneficial owner and parties acting in concert with them; (d) shall be independent of the proposed Directors referred to in the section headed "Directors and senior management of the Restructured Group" in this circular and the connected persons after completion of the Acquisition and the proposed change of Directors; and (e) shall be regarded as public (within the meaning as defined under the Listing Rules).

Issue price of the Convertible Bonds

The issue price of the Convertible Bonds shall be at 100% of the principal amount of the Convertible Bonds.

Assuming the principal amount the Convertible Bonds is HK$200,000,000, it is expected that the gross proceeds will amount to approximately HK$200 million and net proceeds from the CB Placing (after deducting commission) will amount to approximately HK$199 million.

Conversion Shares

Upon full conversion of the Convertible Bonds at the Conversion Price and assuming the principal amount of the Convertible Bonds is HK$200,000,000 and in the denomination of HK$500,000 each, the maximum number of 909,090,800 Conversion Shares to be issued represent (i) approximately 68.78% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 40.75% of the issued share capital of the Company as enlarged by the issue of the maximum number of the Conversion Shares; (iii) approximately 10.51% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the maximum number of Conversion Shares; and (iv) approximately 7.99% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, the Placing Shares and the maximum number of the Conversion Shares.

The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds will be issued under a specific mandate to be obtained at the SGM.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds.

Placing commission of CB Placing

The Placing Agent will receive a placing commission of 0.5% of the amount equal to the aggregate principal amount of the Convertible Bonds that the Placing Agent has successfully placed. Such placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current market condition and the time allowed for the Placing Agent to procure CB Placees for the CB Placing. The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view that the placing commission payable under the CB Placing is fair and reasonable.

Completion of the CB Placing

Completion of the CB Placing will take place on the date of the SP Completion (which will be simultaneously with or immediately after the SP Completion).

Principal terms of the Convertible Bonds

Details of the principal terms of the Convertible Bonds have been set out in the paragraph headed "Principal terms of the Convertible Bonds" in this letter.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

(a) the passing of an ordinary resolution by the Independent Shareholders to approve specific mandate to allot and issue the Placing Shares and the Conversion Shares and the Placing at the SGM;

(b) the Listing Committee granting approval for the listing of, and permission to deal in, the Placing Shares and the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled;

(c) the Placing Shares having been fully taken up by the Share Placees;

(d) the conditions precedent of the SP Agreement are all satisfied, or waived (if applicable) (other than the fulfilment of the condition in the SP Agreement requiring the fulfilment of the conditions precedent of the Placing Agreement);

(e) if required, the Company having obtained the necessary consent, approval, authorisation, permission, or confirmation from any third party to which the Company or its subsidiaries have entered into any agreement or arrangement; and

(f) the Company's representations and warranties made pursuant to the Placing Agreement being true and accurate and not misleading as of the date of the Placing Agreement and the Closing Date.

The conditions contained in (a), (b), (c) and (d) above cannot be waived by any party. The Company shall use all its reasonable endeavours to procure the satisfaction of the conditions set out above, but if the conditions shall not have been so satisfied on or before 8 December 2017 (or such later date as may be agreed by the parties) or any of the force majeure event set out in the Placing Agreement shall have occurred, all obligations of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties shall have any claim against the other in relation thereto save for any antecedent breach of any obligations under the Placing Agreement and without prejudice to the accrued rights and liabilities of the parties.

Termination and force majeure of the Placing Agreement

If at any time between the date of the Placing Agreement and at 5:00 p.m. on the Closing Date, there occurs:

(a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or

(b) the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Share Placing and the CB Placing (such success being the completion of the placing of the Placing Shares and/or the Convertible Bonds to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Share Placing and the CB Placing; or

(c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success of the Share Placing and the CB Placing (such success being the completion of the placing of the Placing Shares and/or the Convertible Bonds to potential investor(s)) or otherwise in the reasonable

opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Share Placing and the CB Placing; or

(d) the Company commits any material breach of or omits to observe any of its obligations or undertakings under the Placing Agreement; or

(e) any of the representations or warranties contained in the Placing Agreement was, when given or deemed to be repeated under the Placing Agreement, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Share Placing and the CB Placing,

then the Placing Agent may upon giving notice to the Company terminate the Placing Agreement with immediate effect. If the Placing Agreement shall be terminated pursuant to the Placing Agreement, the obligations of the Placing Agent shall cease and the Company shall not be liable to pay any commission pursuant to the Placing Agreement, and the Placing Agreement shall forthwith cease and determine and no party shall have any claim against the other party for compensation, costs, damages or otherwise.

Warning

The Share Placing is inter-conditional with the Acquisition and completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

Issuer:	The Company
Aggregate principal amount:	Not more than HK$200,000,000
Interest:	The Convertible Bonds will bear interest at the rate of 9% per annum, payable semi-annually in arrears
Maturity:	3 years from issue date
Conversion period:	From the date of issue until the third Business Day prior to maturity (the "**Conversion Period**")

Conversion Price: HK$0.22 per Conversion Share. The Conversion Price of HK$0.22 represents (i) a discount of approximately 82.11% to the closing price of the Shares of HK$1.23 per Share as quoted on the Stock Exchange on 20 October 2017 (being the last full trading day for the Shares before the date of the Placing Announcement); (ii) a discount of approximately 81.45% to the closing price of the Shares of HK$1.186 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 20 October 2017 (being the last full trading day for the Shares before the date of the Placing Announcement); and (iii) a discount of approximately 81.03% to the closing price of the Shares of HK$1.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date. The Conversion Price is subject to adjustments upon occurrence of certain ''Adjustment events'' as described below. The initial Conversion Price under the Placing Agreement was determined after arm's length negotiations between the Company and the Placing Agent with reference to (i) the prevailing market price of the Shares; (ii) the net asset value of the Company as at 31 March 2017; and (iii) the current market conditions. Despite that the Conversion Price represents a discount to the closing price of the Shares on the Latest Practicable Date, the closing prices of the Shares on the Stock Exchange closed within a wide range from HK$0.39 to HK$1.36 upon entering into the SP Agreement and up to the Latest Practicable Date and had particularly demonstrated huge fluctuations upon resumption of trading in Shares on 28 October 2015. Given the fact that (i) there is a huge instability of the closing price of the Shares and the volatility of the stock market; and (ii) the Conversion Price represents a huge premium to the net asset value per Share of the Company as at 31 March 2017, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) consider that the initial Conversion Price is fair and reasonable to the Company and the Shareholders as a whole.

Underlying number of Shares:	Based on the initial conversion price of HK$0.22 per Conversion Share, 909,090,800 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full (assuming the principal amount of the Convertible Bonds is HK$200,000,000 and in the denomination of HK$500,000 each)
Conversion rights and restrictions:	Each holder of the Convertible Bonds, shall have the right to convert the Convertible Bonds at any time during the Conversion Period, in whole or in part, into Conversion Shares provided that they may not exercise the conversion rights as to such number of Convertible Bonds the conversion of which would (a) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and/or parties acting in concert with it or (b) cause the Company to be unable to meet the minimum public float requirement under Rule 8.08 of the Listing Rules or (c) result in the Conversion Shares being issued to a connected person or such conversion will otherwise be treated as a connected transaction under the Listing Rules
Voting:	The holders of the Convertible Bonds (in their capacity as such) shall not be permitted to attend or vote at any meetings of the Shareholders
Redemption:	The Company may, at any time during the period commencing from the first anniversary of the issue date up to the fifth Business Day prior to maturity, having given not less than 30 days' notice to the holders of the Convertible Bonds, redeem in whole or in part of the Convertible Bonds then outstanding unless previously redeemed, converted and cancelled, each Convertible Bond will be redeemed upon its maturity at 100% of the principal amount outstanding together with the accrued and unpaid interest at maturity The holders of the Convertible Bonds do not have the right to demand early redemption before maturity.

Transferability: The Convertible Bonds are transferable except that the Convertible Bonds may not be transferred to any connected person of the Company

Ranking: The Conversion Shares which are issued as a result of the conversion of the Convertible Bonds shall rank pari passu in all respects with the then existing Shares in the capital of the Company

Adjustment events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

(i) any consolidation or sub-division of the Shares;

(ii) issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) making any capital distribution to the Shareholders or granting the Shareholders rights to acquire for cash assets of the Company or its subsidiaries;

(iv) offer of new Shares to Shareholders for conversion by way of rights, or grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price at the date of the announcement of such offer or grant;

(v) issue of any securities wholly for cash which by their terms are convertible into or exchangeable for or carry rights of conversion for new Shares; or

(vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue

Listing: No listing will be sought for the Convertible Bonds on the Stock Exchange or any other stock exchange

Reasons for the Placing and use of proceeds

The Company and the Vendor have agreed, and are intended, to broaden the shareholders base of the Company through the Placing riding on the Acquisition.

Assuming both Placing Shares and Convertible Bonds are fully placed, the expected amounts to be raised are approximately HK$600 million and approximately HK$200 million respectively.

It is estimated that the aggregate net proceeds from the Placing (after deducting estimated expenses in connection with the Placing) and the Disposals (the "**Net Proceeds**") will be approximately HK$866.2 million. The Net Proceeds is expected to be applied in the following manner:

— Approximately HK$100.0 million for paying the Vendor to settle the cash and/or the Promissory Note in respect of the Acquisition;

— Approximately HK$450.0 million for investing in new property development project(s) in Changsha. As at the Latest Practicable Date, neither the Company nor the Vendor has entered into agreements with any parties in this respect;

— Approximately HK$250.0 million for reducing future finance expenses of the Restructured Group by repaying certain borrowings; and

— Approximately HK$66.2 million will be applied to the general working capital of the Restructured Group.

The proposed Directors confirm that as at the Latest Practicable Date (i) there is no concrete plans for the Restructured Group's new property development project(s) in Changsha; (ii) in the event that the CB Placing is undersubscribed, the amount of shortfall will be deducted from the investment in new property development project(s) in Changsha; and (iii) under such circumstances, the Restructured Group is expected to have sufficient internal resources (together with the proceeds from the Share Placing) for the initial investment of new property development project(s) in Changsha so the impact of undersubscription in the CB Placing is not expected to have a material adverse impact on the Restructured Group's future expansion. If there is any change to the use of proceeds, the Company shall make announcement(s) in accordance with the Listing Rules as and when necessary.

The Directors have considered alternative fund raising methods such as bank borrowings and rights issue/open offer, however, taking into account:

(i) bank loans and/or other borrowings with interest rate will inevitably increase the interest burden and adversely affect the financial position of the Group;

(ii) given the Company is currently undergoing the process of restructuring, fund-raising by rights issue or open offer on a fully underwritten basis, which require the underwriter to lock-up financial resources for its underwriting commitment until completion of the rights issue or open offer, is not preferred in the market;

(iii) an open offer on a non-fully underwritten basis is requires to meet the minimum amount of funds raised set by and disclosed in the relevant listing document of the Company in order for the issue to proceed. This may result in the inability of the Company to implement its development plan and restructuring process as there is a possibility that no funds could be raised from such open offer if minimum amount is not met. As such, the Company considers the Share Placing and CB Placing involve less uncertainty risk than an open offer on a non-fully underwritten basis; and

(iv) the Share Placing and the CB Placing would enable the Company to broaden its shareholder base as their respective placees are Independent Third Parties and independent of the Vendor and its ultimate beneficial owners,

the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view the Shares Placing and CB Placing are in the interests of the Company and the Shareholders as a whole.

VII. THE DISPOSALS

Subsequent to the signing of the SP Agreement, the Company has entered into two sale and purchase agreements to dispose its Company Subsidiaries. The completion of the Disposals, when materialised, are expected to take place simultaneously with or immediately after the SP Completion. Subsequently, (i) upon completion of the Disposals, the Company's remaining subsidiaries will be principally engaged in the trading of construction materials and property investment; and (ii) upon SP Completion and completion of the Disposals, the Group will be principally engaged in the business of the Target Group's in property development in the PRC. As at the Latest Practicable Date, the Company or the Vendor has no intention, understanding, arrangement or agreement to terminate, dispose, scaling down and/or change the business plans of those remaining subsidiaries of the Company and the Vendor has not imposed any conditions and/or restrictions in respect of each of the UR Disposal and Alfreda Disposal.

(1) The UR Disposal

After trading hours on 27 October 2015, the Company (as the vendor) and the UR Purchaser entered into the UR Disposal Agreement pursuant to which the Company has agreed to sell and the UR Purchaser has agreed to purchase the entire issued share capital of UR Group Limited and a shareholder's loan owed by the UR Disposal Group to the Company for a total consideration of approximately HK$56.50 million to be satisfied under the following arrangement:

(i) as to approximately HK$5.65 million on the date of completion of the UR Disposal by setting off a deposit (being 10% of the UR Consideration) which will be paid by the UR Purchaser within seven days after the execution of the UR Disposal Agreement (the "**UR Deposit**") on a dollar-to-dollar basis; and

(ii) the remaining balance of approximately HK$50.85 million by the UR Purchaser issuing a promissory note to the Company or in cash or cheque drawn against a licensed bank in Hong Kong and made payable in favour of the Company within 2 weeks from the date of completion of the UR Disposal.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the UR Purchaser is an Independent Third Party as at the date of the UR Disposal Agreement and independent of the Vendor and its ultimate beneficial owners.

The UR Consideration was arrived after arm's length negotiations between the Company and the UR Purchaser on normal commercial terms and calculated based on the net tangible asset value of the UR Disposal Group and the outstanding amount of the shareholder's loan owed by the UR Disposal Group to the Company on a dollar-to-dollar basis. The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the opinion that the UR Consideration is fair and reasonable.

Subject to the terms and conditions of the UR Disposal Agreement, the Company shall, as legal and beneficial owner, sell the entire issued share capital of UR Group Limited and the shareholder's loan in the sum of approximately HK$18.56 million owed by the UR Disposal Group to the Company and the UR Purchaser shall purchase the entire issued share capital of UR Group Limited and the shareholder's loan in the sum of approximately HK$18.56 million owed by the UR Disposal Group with effect from the completion of the UR Disposal free from all Encumbrances together with all rights attaching thereto including but not limited to all dividends paid, declared or made in respect thereof at any time on or after the date of the completion of the UR Disposal.

Moreover, in view of the fundamental business change of the Group following the completion of the Acquisition, the Company agreed to assign the License of U-RIGHT Marks to the UR Purchaser at the completion of the UR Disposal under the terms of the UR Disposal Agreement.

Conditions precedent under the UR Disposal Agreement

Completion of the UR Disposal is conditional upon:

(a) the SP Agreement having becoming unconditional (other than the fulfilment of any condition in the SP Agreement requiring the fulfilment of the conditions precedent of the UR Disposal Agreement and other transactions contemplated thereunder) and not being terminated in accordance with its terms and conditions;

(b) the passing by the Shareholders of an ordinary resolution approving the UR Disposal Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, the Takeovers Code, and other applicable laws and regulations;

(c) if applicable, the consent of the Executive in relation to the UR Disposal Agreement and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the completion of the UR Disposal;

(d) the UR Purchaser being satisfied with the results of the due diligence review to be conducted under the terms of the UR Disposal Agreement;

(e) all other approvals, consents, authorisations and licenses (so far as necessary) in relation to the transactions contemplated thereunder having been obtained from banks, third parties, and relevant governmental or judicial authorities;

(f) the warranties given by the Company in the UR Disposal Agreement remaining true and accurate in all respects; and

(g) the warranties given by the UR Purchaser in the UR Disposal Agreement remaining true and accurate in all respects.

The UR Disposal Agreement and the transactions contemplated thereunder are subject to approval by the Independent Shareholders at the SGM. The Vendor, parties acting in concert with it and their respective associates together with those Shareholders who are interested in, or involved in, the UR Disposal Agreement are required to abstain from voting on the UR Disposal Agreement at the SGM. As at the Latest Practicable Date, other than the Vendor, parties acting in concert with it and their respective associates, to the best of the knowledge, information and belief of the Directors, no other Shareholders are required to abstain from voting.

Other than the condition precedent referred to in (g) above can be waived by the Company and the conditions precedent referred to in (d) and (f) can be waived by the UR Purchaser, all other conditions precedent under the UR Disposal Agreement are incapable of being waived by the parties to the UR Disposal Agreement.

In respect to the condition precedent referred to in (e) above, to the best of the knowledge, information and belief of the Directors, the Directors are not aware of any approvals, consents, authorisations and licenses (so far as necessary) in relation to the transactions contemplated thereunder that shall be obtained from banks, third parties, and relevant governmental or judicial authorities as at the Latest Practicable Date.

As the UR Purchaser is not a Shareholder and being an Independent Third Party and independent of the Vendor and its ultimate beneficial owners, the Company and the UR Purchaser agreed that the condition precedent referred to in (c) above is not applicable to the UR Disposal as at the Latest Practicable Date.

If any of the conditions precedent has not been satisfied or waived in accordance with the terms of the UR Disposal Agreement on or before noon of the UR Disposal Long Stop Date or such later date as the parties under the UR Disposal Agreement may agree, the UR Disposal Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the UR Disposal Agreement, save for any antecedent breach of the terms of the UR Disposal Agreement and the UR Deposit shall be returned to the UR Purchaser (without interest) by the Company within seven (7) business days.

Completion of the UR Disposal

Completion of the UR Disposal shall take place after the conditions precedent pursuant to the UR Disposal Agreement have been satisfied or waived (if applicable).

The completion of the UR Disposal Agreement shall take place at the same time or immediately after the SP Completion so that in default of performance of any such agreement or transaction or any part thereof by any party to the SP Agreement, the parties to UR Disposal Agreement shall not be obliged to complete any of the transactions thereunder but without prejudice to any further legal remedies, and if the SP Completion is delayed, completion of the UR Disposal Agreement shall similarly be delayed to the same later date and time.

Information on UR Group Limited

UR Group Limited, a direct wholly-owned subsidiary of the Group prior to the completion of the UR Disposal, was incorporated in the BVI. It was an investment holding company and its subsidiaries were primarily engaged in the (i) retail of fashion garments in the PRC; and (ii) wholesale trading of raw materials and textile products in the PRC.

The consolidated financial information of UR Disposal Group for the three financial years ended 31 March 2015, 2016 and 2017 are set out as below:

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Net profit/(loss) before taxation	6,324	2,586	2,018
Net profit/(loss) after taxation	5,065	2,066	1,612

As at 31 March 2017, the consolidated net asset value of the UR Disposal Group was approximately HK$38.76 million. As at 31 March 2017, the consolidated net tangible asset value of the UR Disposal Group was approximately HK$38.76 million.

Assuming the UR Disposal had taken place on 31 March 2017, the UR Consideration represents an excess of approximately HK$3.19 million over the net asset of the UR Disposal Group to be disposed of as at 31 March 2017 which have excluded the shareholder's loan owed by the UR Disposal Group and the non controlling interest of the UR Disposal Group.

(2) The Alfreda Disposal

After trading hours on 27 October 2015, the Company (as the vendor) and the Alfreda Purchaser entered into the Alfreda Disposal Agreement pursuant to which the Company has agreed to sell and the Alfreda Purchaser has agreed to purchase the entire issued share capital of Alfreda Limited and a shareholder's loan owed by the Alfreda Disposal Group to the Company for a total consideration of approximately HK$22.36 million to be satisfied by the Alfreda Purchaser paying to the Company in cash or cheque drawn against a licensed bank in Hong Kong and made payable in favour of the Company within 2 weeks from the date of completion of the Alfreda Disposal.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Alfreda Purchase is an Independent Third Party as at the date of the Alfreda Disposal Agreement and independent of the Vendor and its ultimate beneficial owners.

The Alfreda Consideration was arrived after arm's length negotiations between the Company and the Alfreda Purchaser on normal commercial terms and calculated based on the net tangible asset value of the Alfreda Disposal Group and the outstanding amount of the shareholder's loan owed by the Alfreda Disposal Group to the Company on a dollar-to-dollar basis. The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the opinion that the Alfreda Consideration is fair and reasonable.

Subject to the terms and conditions of the Alfreda Disposal Agreement, the Company shall, as legal and beneficial owner, sell the entire issued share capital of Alfreda Limited and the shareholder's loan in the sum of approximately HK$16.8 million owed by the Alfreda Disposal Group to the Company and the Alfreda Purchaser shall purchase the entire issued share capital of Alfreda Limited and the shareholder's loan in the sum of approximately HK$16.8 million owed by the Alfreda Disposal Group with effect from the completion of the Alfreda Disposal free from all Encumbrances together with all rights attaching thereto including but not limited to all dividends paid, declared or made in respect thereof at any time on or after the date of the completion of the Alfreda Disposal.

Conditions precedent under the Alfreda Disposal Agreement

Completion of the Alfreda Disposal is conditional upon:

(a) the SP Agreement having becoming unconditional (other than the fulfilment of any condition in the SP Agreement requiring the fulfilment of the conditions precedent of the Alfreda Disposal Agreement and other transactions contemplated thereunder) and not being terminated in accordance with its terms and conditions;

(b) the passing by the Shareholders of an ordinary resolution approving the Alfreda Disposal Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, the Takeovers Code, and other applicable laws and regulations;

(c) if applicable, the consent of the Executive in relation to the Alfreda Disposal Agreement and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the completion of the Alfreda Disposal;

(d) the Alfreda Purchaser being satisfied with the results of the due diligence review to be conducted under the terms of the Alfreda Disposal Agreement;

(e) all other approvals, consents, authorisations and licenses (so far as necessary) in relation to the transactions contemplated thereunder having been obtained from banks, third parties, and relevant governmental or judicial authorities;

(f) the warranties given by the Company in the Alfreda Disposal Agreement remaining true and accurate in all respects; and

(g) the warranties given by the Alfreda Purchaser in the Alfreda Disposal Agreement remaining true and accurate in all respects.

The Alfreda Disposal Agreement and the transactions contemplated thereunder are subject to approval by the Independent Shareholders at the SGM. The Vendor, parties acting in concert with it and their respective associates together with those

Shareholders who are interested in, or involved in, the Alfreda Disposal Agreement are required to abstain from voting on the Alfreda Disposal Agreement at the SGM. As at the Latest Practicable Date, other than the Vendor, parties acting in concert with it and their respective associates, to the best of the knowledge, information and belief of the Directors, no other Shareholders are required to abstain from voting.

Other than the condition precedent referred to in (g) above can be waived by the Company and the conditions precedent referred to in (d) and (f) can be waived by the Alfreda Purchaser, all other conditions precedent under the Alfreda Disposal Agreement are incapable of being waived by the parties to the Alfreda Disposal Agreement. Condition precedent referred to in (c) above is not applicable. As at the Latest Practicable Date, the above condition precedent (d) has been fulfilled, and the Company and the Alfreda Purchaser have no intention to waive any of the other conditions precedent.

In respect to the condition precedent referred to in (e) above, to the best of the knowledge, information and belief of the Directors, the Directors are not aware of any approvals, consents, authorisations and licenses (so far as necessary) in relation to the transactions contemplated thereunder that shall be obtained from banks, third parties, and relevant governmental or judicial authorities as at the Latest Practicable Date.

As the Alfreda Purchaser is not a Shareholder and being an Independent Third Party and independent of the Vendor and its ultimate beneficial owners, the Company and the Alfreda Purchaser agreed that the condition precedent referred to in (c) above is not applicable to the Alfreda Disposal as at the Latest Practicable Date.

If any of the conditions precedent has not been satisfied or waived in accordance with the terms of the Alfreda Disposal Agreement on or before noon of the Alfreda Disposal Long Stop Date or such later date as the parties under the Alfreda Disposal Agreement may agree, the Alfreda Disposal Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Alfreda Disposal Agreement, save for any antecedent breach of the terms of the Alfreda Disposal Agreement.

Completion of the Alfreda Disposal

Completion of the Alfreda Disposal shall take place after the conditions precedent pursuant to the Alfreda Disposal Agreement have been satisfied or waived (if applicable).

The completion of the Alfreda Disposal shall take place at the same time or immediately after the SP Completion so that in default of performance of any such agreement or transaction or any part thereof by any party to the SP Agreement, the parties to Alfreda Disposal Agreement shall not be obliged to complete any of the

transactions thereunder but without prejudice to any further legal remedies, and if the SP Completion is delayed, completion of the Alfreda Disposal shall similarly be delayed to the same later date and time.

Information on Alfreda Limited

Alfreda Limited, a direct wholly-owned subsidiary of the Group prior to the completion of the Alfreda Disposal, was incorporated in the BVI. It was an investment holding company and its subsidiaries were primarily engaged in design, distribution and sale of fashion apparels in the PRC.

The consolidated financial information of Alfreda Disposal Group for the three financial years ended 31 March 2015, 2016 and 2017 are set out as below:

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Net profit/(loss) before taxation	(680)	(8,247)	408
Net profit/(loss) after taxation	(1,170)	(8,670)	(4)

As at 31 March 2017, the consolidated net asset value of the Alfreda Disposal Group was approximately HK$4.84 million. As at 31 March 2017, the consolidated net tangible asset value of the Alfreda Disposal Group was approximately HK$3.96 million after reducing of a value of goodwill of approximately HK$0.88 million.

Assuming the Alfreda Disposal had taken place on 31 March 2017, the Alfreda Consideration represents a premium of approximately HK$0.72 million as compared to the net asset of the Alfreda Disposal Group to be disposed of as at 31 March 2017 which has excluded the shareholder's loan owed by the Alfreda Disposal Group.

Purchasers

The UR Purchaser, Mr. Qiu Wenzhong ("**Mr. Qiu**"), is currently the Vice Chairman of a firm that focuses on trading of international garment brands. As advised by Mr. Qiu, it is his intention to seek business opportunities to expand his business to overseas and to develop his own brand name. Mr. Qiu was introduced to Mr. Tang Kwok Hung (an executive Director) ("**Mr. Tang**") in May 2015 through the local management of the UR Disposal Group in the PRC and Mr. Qiu enquired information of the UR Disposal Group from Mr. Tang and began negotiating the terms and conditions of the UR Disposal. As advised by Mr. Qiu, he is of the view that the UR Consideration which equals to, the net asset of the UR Disposal Group as at 31 March 2015, being HK$37.94 million and excluding the shareholder's loan of approximately HK$18.56 million, implies a price-to-book ratio of approximately 1 is fair, and he also had preliminary assessed and satisfied with the financial performance of the UR Disposal Group for the financial years ended 31 March 2013, 2014 and 2015 (which were the most recent three financial years performance prior to the entering of the UR Disposal Agreement), and understood that the implied valuation of the UR Group Limited, as represented by the equity component

of the UR Consideration is approximately HK$37.94 million (being the UR Consideration reducing the shareholder's loan of approximately HK$18.56 million), whereas the implied price-to-earnings ratios of the UR Disposal Group for the financial years ended 31 March 2013, 2014 and 2015 are approximately 5.41, 5.59 and 7.65, respectively (the profit attributable to owners of the UR Disposal Group for the years ended 31 March 2013, 2014 and 2015 are approximately HK$7.01 million, HK$6.79 million and HK$4.96 million). In addition, Mr. Qiu considers that as the UR Disposal Group is listed on the Stock Exchange and has gained prominent status within the industry, and after considering the UR Consideration and the reputation of the UR Disposal Group, Mr. Qiu decided to proceed the negotiation with the representative of UR Disposal Group and has made a deposit of 10% of the UR Consideration a week upon entering into the UR Disposal Agreement. It is advised that the UR Consideration will be sourced from Mr. Qiu's personal savings, investment and/or financing.

As at the Latest Practicable Date, save for the UR Disposal Agreement, the UR Purchaser has not entered into any understanding, arrangement or agreement with the Group and/or the Vendor and its subsidiaries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Qiu is an Independent Third Party.

The Alfreda Purchaser, Ms. Ma Weihong ("**Ms. Ma**"), was previously one of the franchisees of the Alfreda Disposal Group and has experience in woman fashion industry. As advised by Ms. Ma, it is her intention to seek business opportunities to expand her business footprint in the woman fashion industry and to develop her own brand name. Ms. Ma was introduced to Mr. Tang in May 2015 through the local management of the Alfreda Disposal Group in the PRC and Ms. Ma enquired information of the Alfreda Disposal Group from Mr. Tang and began negotiating the terms and conditions of the Alfreda Disposal. Despite that Ms. Ma understood that the License of U-RIGHT Marks will be assigned to the UR Purchaser at the completion of the UR Disposal, the retail business of the Alfreda Disposal Group within the PRC operates under the brands "LeRoi" and "Meridow" and these brand names will be sold together with the retail business of women wear to Ms. Ma upon completion of the Alfreda Disposal, whereas the possession of the U-RIGHT Marks does not affect the business operations of the Alfreda Group. In addition, Ms. Ma considers that as the Alfreda Disposal Group is listed on the Stock Exchange and has gained prominent reputation within the industry, and after considering the Alfreda Consideration and the history of the Alfreda Disposal Group within the woman fashion segment, Ms. Ma decided to proceed the negotiation with the representative of Alfreda Disposal Group. It is advised that the Alfreda Consideration will be sourced from Ms. Ma's personal savings, investment and/or financing.

As at the Latest Practicable Date, save for the Alfreda Disposal Agreement, the Alfreda Purchaser has not entered into any understanding, arrangement or agreement with the Group and/or the Vendor and its subsidiaries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ms. Ma is an Independent Third Party.

Both the UR Consideration and the Alfreda Consideration were determined upon arm's length negotiations between the Group and the respective purchasers with reference to the net tangible asset values of the respective disposal companies and on normal commercial terms. The price-to-earnings ratio and price-to-book ratio are both commonly used business valuation methods, the Directors and the respective purchasers are of the view that it is fair and reasonable by referencing the considerations to net tangible asset values of the disposal companies since (i) Alfreda Disposal Group is in net losses such that the price-to-earnings ratio is not applicable; (ii) the financial performance of both disposal companies are either shrinking or persisted in recent financial years i.e. the net profit after taxation of the UR Disposal Group reduced from HK$5,065,000 in 2015 to HK$1,612,000 in 2017 and the Alfreda Disposal Group has continued to record net losses for the past financial years, such that price-to-earnings ratio or any other valuation methods based on earnings does not reflect the intrinsic values of both disposal companies given that (a) the decline of net profit after taxation of the UR Disposal will cause the underlying price-to-earning ratio to increase and the respective consideration has to be adjusted downward correspondingly in order to maintain the ratio to lie within the industry comparable range which might not reflect the underlying assets base of the UR Disposal Group; and (b) the losses making status of the Alfreda Disposal Group would yield a negative price-to-loss ratio which is not a fair indicator and not under market practice; and (iii) majority of the assets of both disposal companies consist of current assets which are readily convertible into cash and cash equivalent.

On the other hand, the Group and the respective purchasers did not consider to alter the UR Consideration and Alfreda Consideration taking into account of (i) both UR Purchaser and Alfreda Purchaser have been involving or had involved in the fashion industry as described in the above paragraphs and both purchasers expressed the view that acquiring an established fashion entity would (a) create a synergy effect to both acquirers as the brand names and the License of U-RIGHT Marks of the disposal companies, which already gained certain recognition and customer base within the PRC, will be assigned to them upon completion of the Disposals such that the Alfreda Purchaser can leverage on her existing network and business relationship amongst the local garment stores to procure stocks from the Alfreda Disposal Group which she believes that such collaboration will exert a positive effect in the future performance of the Alfreda Disposal Group and the UR Purchaser can expand his existing garment wholesale business into the oversea market for which the UR Disposal Group is currently engaging in i.e. the Philippines and the United Arab Emirates; and (b) both purchasers are of the view that the potential costs, effort and time to be incurred for them to develop their own fashion brand from the beginning are huge and might not be justifiable and both Alfreda Purchaser and UR Purchaser also consider that similar companies available for sale within their business network is rare, such that both purchasers are willing to take such benefits to off-set the recent fluctuation in profits for the respective disposal companies; and (ii) the Board considers that adopting the existing price-to-book ratio for determination of consideration for both disposal companies is fair and reasonable to the Group and the Shareholders as set above.

Reasons for the Disposals and use of proceeds

The Disposals are conditional to the SP Completion and aside from the benefits as set out in the paragraph headed "Reasons for the Acquisition" in this letter, particularly, in view of the prospect and potential of the businesses of the Company Subsidiaries under the emergence of online retailing, the Board believes the Disposals allow the Group to enhance and strengthen the financial position and cash flow of the Group. In addition, the Company intends to use the net proceeds (after deducing the relevant professional fees) from the Disposals in the amount of approximately HK$73.21 million to fund the property development project (to the best of the Directors' knowledge, the counterparty is an Independent Third Party and independent of the Vendor and its beneficial owners) intended to be acquired in Changsha, the PRC as mentioned in the paragraph headed "VI. Share Placing and CB Placing" in this letter and/or as general working capital of the Group, and that the Disposals will further allow the Group to focus on the newly engaged business in property development upon SP Completion. The Board considers the consideration of the Disposals to be fair and reasonable due to the following reasons:

(i) the UR Consideration was calculated based on the net asset value of the UR Disposal Group as at 31 March 2015 and the outstanding amount of the shareholder's loan owed by the UR Disposal Group to the Company on a dollar-to-dollar basis. Assuming the UR Disposal had been taken place on 1 April 2016, an expected gain of approximately HK$4.35 million should be incurred by the Company which is due to the UR Consideration did not take account into the non controlling interest of the UR Disposal Group and the release of foreign currency translation reserve and investment revaluation reserve;

(ii) the Alfreda Consideration was calculated based on the net tangible asset value of the Alfreda Disposal Group as at 31 March 2015 and the outstanding amount of the shareholder's loan owed by the Alfreda Disposal Group to the Company on a dollar-to-dollar basis. Assuming the Alfreda Disposal had been taken place on 1 April 2016, an expected loss of approximately HK$0.92 million should be incurred by the Company; and

(iii) as the SP Completion is subject to, inter alia, the completions of the Disposals and the Directors advised that qualified purchasers are not as easy to come by in a timely manner under the anticipated adverse prospect and risks of the businesses of the Company Subsidiaries in the garment fashion and/or textile industry under the emergence of online retailing. Furthermore, the Directors are more preferred to merely focus on handling the progress and procedures for the new listing applications in respect of the reverse takeovers of the Company and other settlements such as negotiations for the terms of the placing agreement(s) with the Placing Agent.

In light of the above, the Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view the Disposals are in the interests of the Company and the Shareholders as a whole.

Having considered the above together with the section headed "Letter from the Independent Financial Adviser — C3. Consideration of the Disposals" in this circular, the Sponsor considers that the UR Consideration is fair and reasonable to the Company and the Shareholders.

So far as the Company is aware after making all reasonable enquiries and as confirmed by the Alfreda Purchaser and the UR Purchaser, the Alfreda Purchaser and the UR Purchaser do not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether expressed or implied) with any connected persons of the Company and/or the Vendor with respect to the Disposals; and the Vendor has confirmed that it does not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether expressed or implied) with any connected persons of the Company and/or the Alfreda Purchaser and/or the UR Purchaser with respect to the Disposals.

Financial effect of the Disposals

Upon completion of the Disposals had taken place on 31 March 2017 (without taking into account of the Acquisition, the Share Placing and the CB Placing), both the UR Disposal Group and Alfreda Disposal Group will cease to be the Company's subsidiaries and the Company will cease to have any interests in any of them. The Group is expected to incur a net gain of approximately HK$3.91 million upon completion of the Disposals as a result from (i) an expected gain of approximately HK$3.19 million from the UR Disposal calculated by subtracting the consideration for the UR Disposal Group (excluding its shareholder's loan) of approximately HK$56.50 million by the net asset value attributable to shareholders of the UR Disposal Group of approximately HK$53.31 million; and (ii) an expected gain of approximately HK$0.72 million from the Alfreda Disposal calculated by subtracting the consideration for the Alfreda Disposal Group (excluding its shareholder's loan) of approximately HK$22.36 million by the net asset value of attributable to shareholders of the Alfreda Disposal Group of approximately HK$21.64 million.

Assets and liabilities

According to the annual report of the Company for the year ended 31 March 2017, the consolidated total assets and liabilities of the Group as at 31 March 2017 were approximately HK$161.92 million and approximately HK$42.18 million respectively. Based on the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular, assuming completion of the Disposals had taken place on 31 March 2017, the unaudited pro forma consolidated total assets and liabilities of the Remaining Group would be approximately HK$130.02 million and approximately HK$10.44 million.

Profit attributable to equity shareholders

For the year ended 31 March 2017, the Group recorded an audited loss attributable to equity shareholders of the Company of approximately HK$4.29 million. Based on the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular, assuming completion of the Disposals had taken place on 1 April 2016 and inclusive of possible loss on the Disposals, the unaudited pro forma consolidated loss of the Remaining Group attributable to equity shareholders would be approximately HK$2.49 million for the year ended 31 March 2017. The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) are of the view that the Disposals would not have any significant adverse effect on the financial position of the Company.

Listing Rules Implications

As the highest of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, exceed 75%, the Disposals together constitute a very substantial disposal transaction for the Company under Rule 14.06 of the Listing Rules and will therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

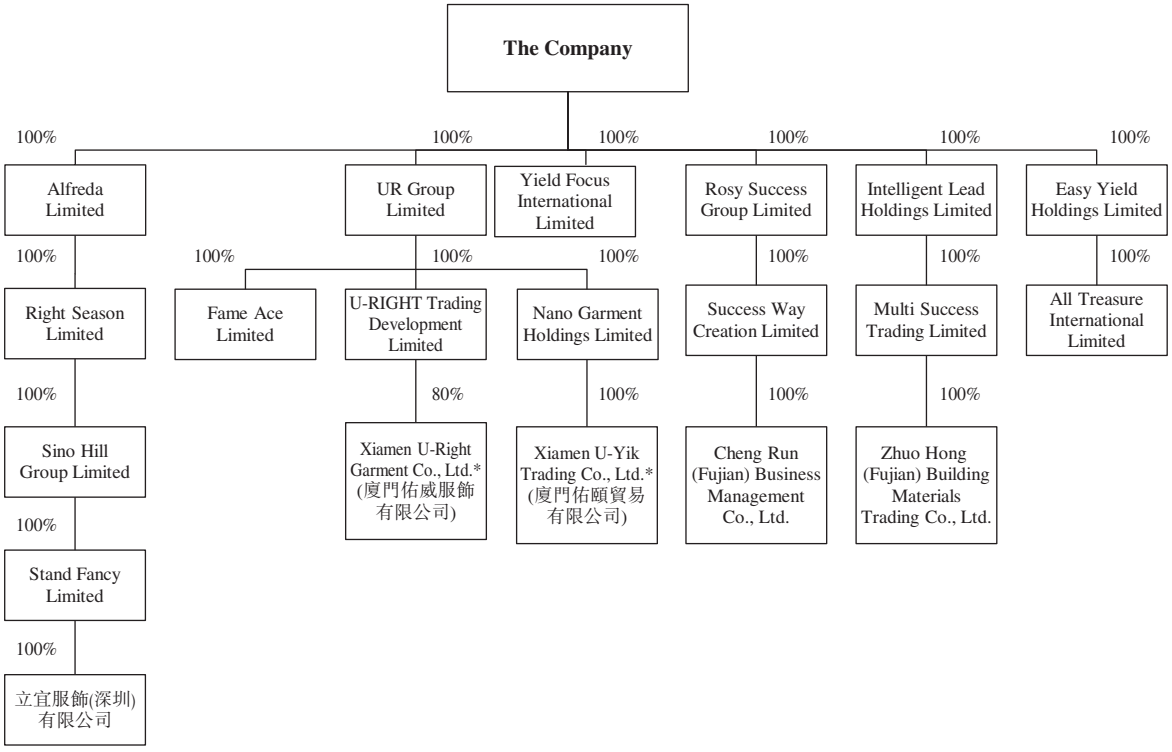
Warnings

The completion of the Disposals are inter-conditional with the SP Completion which will be subject to a number of conditions and the applicable requirements under the Listing Rules, which may or may not be fulfilled. Shareholders of the Company and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

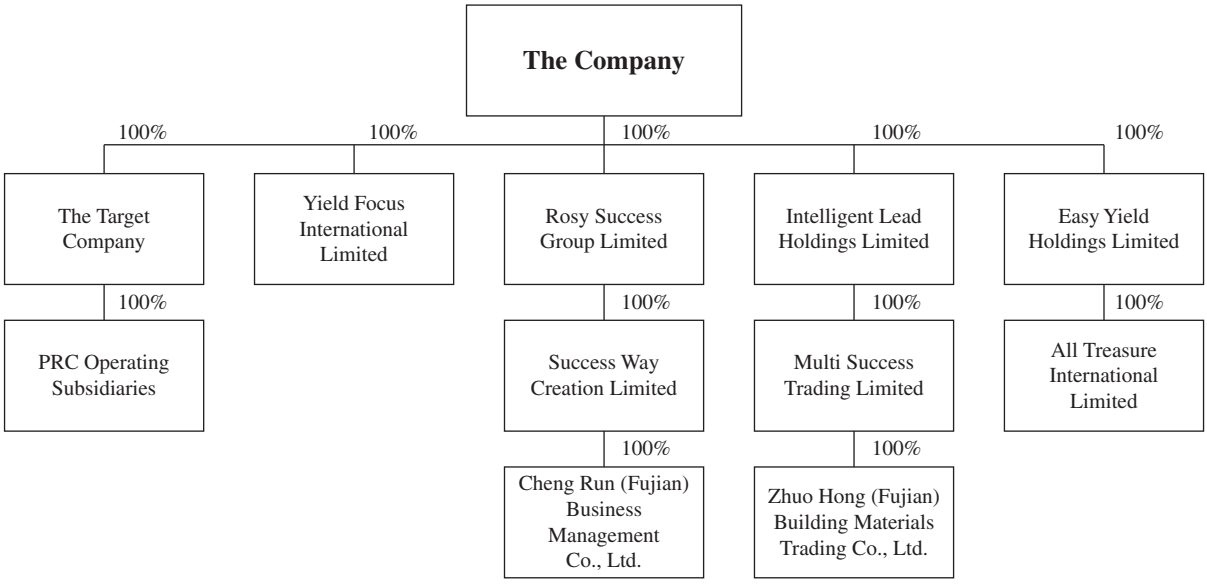
ORGANISATION STRUCTURE OF THE GROUP

Set out below is the organisation structure of the Group immediately before and after the SP Completion and after the completion of the Disposals (if materialised):

Organisation structure of the Group immediately before the SP Completion and the completion of the Disposals



Organisation structure of the Restructured Group immediately after the SP Completion and completion of the Disposals (if and when materialised)



Immediately after the SP Completion and completion of the Disposals (if and when materialised), the Target Company will become a direct wholly-owned subsidiary of the Company and the information of which are set out under the paragraph headed ''Information on the Vendor and the Target Group'' in this letter.

As at the Latest Practicable Date, each of Yield Focus International Limited, Rosy Success Group Limited, Intelligent Lead Holdings Limited, Easy Yield Holdings Limited, Success Way Creation Limited, Multi Success Trading Limited is an investment holding company and whereas All Treasure International Limited is inactive. Cheng Run (Fujian) Business Management Co., Ltd. is principally engaged in property investment and retailing of fashion garments and Zhuo Hong (Fujian) Building Materials Trading Co., Ltd. is principally engaged in trading of building materials.

Financial effect of the Transactions

(a) Net assets

According to the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular, assuming the Transactions had been completed on 31 March 2017, the Group's financial position would improve from net assets of approximately HK$119.75 million to net assets of approximately HK$1,374.35 million. This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

(b) Earnings

Assuming the Transactions had been completed on 1 April 2016, the loss of the Company will be increased from approximately HK$4.29 million to a loss of approximately HK$243.97 million, which is mainly attributable to (i) the adjustment of the estimated unaudited loss/profit and the elimination of the results of UR Disposal Group and Alfreda Disposal Group, assuming the UR Disposal and the Alfreda Disposal had taken place on 1 April 2016; (ii) the adjustment of the finance cost of interest on the CB Placing of approximately HK$18.3 million, assuming the CB Placing had taken place on 1 April 2016; and (iii) the adjustment of the expenditures incurred directly in the Acquisition of approximately HK$23.89 million and the impairment of goodwill amounting to approximately HK$277.19 million, according to the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular.

(c) Gearing position

As at 31 March 2017, the Group had total assets of approximately HK$161.92 million and total liabilities of approximately HK$42.18 million. The debt to asset ratio of the Group was approximately 0.26 time, being the total liabilities divided by total assets. According to the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular, assuming the Transactions had been completed on 31 March 2017, the Restructured Group would have total assets of approximately HK$4,159.3 million and total liabilities of approximately HK$2,784.95 million. Accordingly, the debt to asset ratio of the Restructured Group would be slightly increased to approximately 0.67 time.

(d) Working capital

As at 31 March 2017, the Group had bank and cash balances of approximately HK$3.88 million and net current assets of approximately HK$109.66 million. According to the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular, assuming that the Transactions took place on 31 March 2017, the Restructured Group would have bank and cash balances of approximately HK$1,247.44 million and net current assets of approximately HK$2,686.43 million.

For further details in relation to the unaudited pro forma financial information of the Restructured Group, please refer to the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to present the financial position of the Group upon completion of the Transactions.

VIII. PROPOSED ADOPTION OF THE SHARE OPTION SCHEME

At the SGM, an ordinary resolution will be proposed to approve and adopt the Share Option Scheme and to give the Directors the power to implement and administer the Share Option Scheme with effect from the date of the SP Completion. A summary of the principal terms of the Share Option Scheme is set out in Appendix IX to this circular.

Reason for adopting the Share Option Scheme

The Company has an old share option scheme adopted on 9 July 2002 and expired on 17 July 2012. In this connection, no further options can be granted under such share option scheme but the options which have been granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue. As at the Latest Practicable Date, there is no outstanding option granted under such expired share option scheme.

The Directors consider that in order to recognise the significant contributions of the eligible participants to the growth of the Restructured Group and/or to motivate and encourage the eligible participants to continue and improve their performance and efficiency, it is important for the Restructured Group to provide them with opportunities to obtain a shareholding interest in the Company and to reward them for keeping contributing to the Restructured Group's long-term success and prosperity.

The Directors believe that with no requirement of performance targets, no minimum period for which a share option must be held by the eligible participants before it can be exercised and a fair mechanism for determining the exercise price of the share options, the Directors can have ample discretion in prescribing terms for grants of share options specific to the circumstance aimed to achieve the goals of the Share Option Scheme which is to provide the best incentive to the eligible participants for continuing support of the Restructured Group. In this connection, the Board proposes to recommend to the Shareholders at the SGM to approve the adoption of the Share Option Scheme.

As at the Latest Practicable Date, no share option had been granted or agreed to be granted under the Share Option Scheme.

Conditions

The adoption of the Share Option Scheme is conditional upon:

(i) the Shareholders passing an ordinary resolution to approve and adopt the Share Option Scheme at the SGM;

(ii) the Listing Committee granting approval for the listing of and permission to deal in such number of new Shares which may fall to be issued upon exercise of the share options which may be granted under the Share Option Scheme as set out in paragraph (a)(v)(aa) of the paragraph headed "H. Share Option Scheme" in the "Statutory and general information" in Appendix IX to this circular; and

(iii) SP Completion having taken place.

The Company will comply with the requirements of the Listing Rules in granting options and issuing Shares pursuant to the Share Option Scheme.

Scheme mandate limit and maximum number of shares to be issued

Shares which may fall to be issued upon the exercise of all options to be granted under the Share Option Scheme at any time may not exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme.

On the basis of 1,321,682,525 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased by the Company prior to the SGM, the scheme limit for the Share Option Scheme will be 132,168,252 Shares under Rule 17.03(3) of the Listing Rules, should the Share Option Scheme be adopted.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme.

Value of Option

The Directors consider it inappropriate to value any share options which may be granted under the Share Option Scheme, as a number of variables which are crucial for the valuation (such as the possibility of lapses or cancellations of share options granted, cessation of the grantee as a participant not foreseeable nor controllable by the Directors at this stage) cannot be determined evidently at this stage. Such variables also include the exercise price of the share options and the conditions, if any, that a share option is subject to. Accordingly, any valuation of the share options based on a large number of speculative assumptions would not be meaningful and may be misleading to the Shareholders.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing and enlarged shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) for illustrative purposes only, immediately after the issue of the Consideration Shares but before the issue of the Placing Shares and any conversion of the Convertible Bonds into Conversion Shares; (iii) immediately after the issue of the Consideration Shares and the Placing Shares but before any conversion of the Convertible Bonds into Conversion Shares; and (iv) immediately after the issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds (assuming the Convertible Bonds have been placed in full) are set out below:

Name of Shareholders	**(I) As at the Latest Practicable Date**		**(II) For illustrative purposes only, immediately after the issue of the Consideration Shares but before the issue of the Placing Shares and any conversion of the Convertible Bonds into Conversion Shares** *(Note 2)*		**(III) Immediately after the issue of the Consideration Shares and the Placing Shares but before any conversion of the Convertible Bonds into Convertible Shares** *(Note 3)*		**(IV) Immediately after the issue of the Consideration Shares and the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds (assuming the Convertible Bonds have been placed in full)** *(Note 4)*	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Advance Lead International Limited *(Note 5)*	970,000,000	73.39	970,000,000	12.54	—	—	—	—
The Vendor, its ultimate beneficial owner and the parties acting in concert with any of them	1,080,000	0.08	6,416,140,000	82.93	6,416,140,000	61.32	6,416,140,000	56.42
Public Shareholders								
Advance Lead International Limited *(Note 5)*	—	—	—	—	970,000,000	9.27	970,000,000	8.53
Share Placees	—	—	—	—	2,727,280,000	26.06	2,727,280,000	23.98
CB Placees	—	—	—	—	—	—	909,090,800	7.99
Other public Shareholders	350,602,525	26.53	350,602,525	4.53	350,602,525	3.35	350,602,525	3.08
Sub-total of public Shareholders	350,602,525	26.53	350,602,525	4.53	4,047,882,525	38.68	4,956,973,325	43.58
Total	1,321,682,525	100.00	7,736,742,525	100.00	10,464,022,525	100.00	11,373,113,325	100.00

Notes:

1. As at the Latest Practicable Date, none of the Director(s) is/are interested in any Shares.

2. For illustrative purposes only, immediately after the SP Completion (i.e. immediately after the issue of the Consideration Shares but before the issue of the Placing Shares and any conversion of the Convertible Bonds into Conversion Shares), the aggregate shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 82.93%.

3. Immediately after the SP Completion (i.e. immediately after the issue of the Consideration Shares and the Placing Shares but before any conversion of the Convertible Bonds into Conversion Shares), the aggregate shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 61.32%. Upon completion of the transfer of the 300,000,000 Granted Shares, representing approximately 2.87% of the issued share capital of the Company immediately after the issue of the Consideration Shares and the Placing Shares but before the conversion of the Convertible Bonds, to the 36 individuals, four of whom are parties acting in concert with Mr. Pan, the shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 59.05%.

4. Immediately after the SP Completion (i.e. immediately after the issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds), the aggregate shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 56.42%. Upon completion of the transfer of the 300,000,000 Granted Shares, representing approximately 2.64% of the issued share capital of the Company immediately after the issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds (assuming the Convertible Bonds have been placed in full), to the 36 Transferees, four of whom are parties acting in concert with Mr. Pan, the shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 54.33%.

   It is expected that the holders of the Convertible Bonds may not exercise the conversion rights as to such number of Convertible Bonds the conversion of which would, among others, (a) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it (as defined in the Takeovers Code) or (b) cause the Company to be unable to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

5. These Shares are beneficially owned by Advance Lead International Limited. Advance Lead International Limited is owned by (i) Sino Classic Global Limited as to 30% in which Ms. Au Tsui Yee, Maggie is the sole beneficial owner; (ii) Great Novel Limited as to 30% in which Mr. Chau Kai Man is the sole beneficial owner; and (iii) Easy Advance Investments Limited as to 40%, which is a wholly-owned subsidiary of Advance Shine Holdings Limited. Mr. Chau Pak Chuen is the sole beneficial owner of Advance Shine Holdings Limited. Advance Lead International Limited and its beneficial owners does not have any relationship with the Vendor, the current Directors and connected persons and the core connected persons after the completion of the Acquisition and the proposed change of Directors (the "**Core Member(s)**").

   Furthermore, each of the shareholders of Advance Lead International Limited confirmed that (i) their acquisition of securities has not been financed directly or indirectly by a Core Member; and (ii) each of them is not accustomed to take instructions from a Core Member in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in their name or otherwise held by them under Rule 8.24 of the Listing Rules.

As shown in the table, under scenario III of the above, there will be a dilution in the shareholding interests of the existing public Shareholders from approximately 26.53% as at the Latest Practicable Date to approximately 3.35% and under scenario IV of the above, the shareholding interests of the existing public Shareholders (excluding Advance Lead) will further decrease to approximately 3.08% on a fully diluted basis (i.e. upon conversion of all Convertible Bonds into Conversion Shares). The dilution effect in itself is not favourable to the existing public Shareholders. Nevertheless, it is important to note the significant positive effects that will bring to the Group as a result of the SP Completion as discussed in the paragraph headed "Reasons for the Acquisition" in this letter. As such, the Board is of the view the shareholding dilution of the existing public Shareholders is acceptable on the basis that it is more advantageous to all the Shareholders to have a smaller shareholding interests in a company which is profitable and with strong net asset backing, rather than to have a large shareholding interests in a company which has low profitability and asset backing.

SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Ample Capital has been appointed as the sponsor to the Company's new listing application.

The IBC comprising Mr. XIE Tom, Mr. MAK Ka Wing, Patrick and Mr. CHAN Chi Yuen, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the SP Agreement, the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder. Messis Capital Limited has been appointed as the independent financial adviser in accordance with the requirements under the Listing Rules to make recommendation to advise the IBC and the Independent Shareholders as to whether the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder are, or are not, fair and reasonable and to advise the Independent Shareholders on how to vote on the relevant resolutions in the SGM.

SGM

A notice of the SGM to be held at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Monday, 20 November 2017 at 10:30 a.m. is set out on pages SGM-1 to SGM-8 of this circular for the purpose of considering and, if thought fit, approving each of the Transactions and the related agreements.

As Advance Lead International Limited, being the controlling shareholder prior to the entering of the SP Agreement, has no material interest and was not involved in or interested in the SP Agreement, the Placing Agreement, the UR Disposal Agreement, the Alfreda Disposal Agreement and the transactions contemplated respectively thereunder and accordingly, Advance Lead International Limited is not required to abstain from voting on the resolutions for considering and approving the SP Agreement, the Placing Agreement, the UR Disposal Agreement and the Alfreda Disposal Agreement and all the transactions contemplated respectively thereunder (including the Whitewash Waiver, the proposed Share Premium Reduction, the proposed Name Change and the proposed adoption of the Share Option Scheme).

Since Mr. Pan, the ultimate beneficial owner of the Vendor who holds 1,080,000 Shares, has material interests in the SP Agreement, the Alfreda Disposal Agreement, the UR Disposal Agreement, the Placing Agreement and the transactions contemplated thereunder, Mr. Pan, the Vendor and their respective associates and parties acting in concert with any of them are required to abstain from voting on the relevant resolutions.

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

appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the SGM or any adjournment thereof if you so desire.

RECOMMENDATIONS

The Directors (including the members of the IBC whose views have been set out in the letter from the IBC on page 140 to page 141 of this circular after taking into account the advice of Independent Financial Adviser) consider that the terms and conditions of the SP Agreement, the Whitewash Waiver, the Placing Agreement, the UR Disposal Agreement and the Alfreda Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors accordingly recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

The text of the letter from the IBC containing its recommendation to the Independent Shareholders is set out on page 140 to page 141 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the IBC and the Independent Shareholders with regard to the Acquisition, the Whitewash Waiver, the Share Placing and the Disposals and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 142 to 178 of this circular.

FURTHER INFORMATION

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

By order of the Board
U-RIGHT International Holdings Limited
TANG Kwok Hung
Executive Director

U-RIGHT INTERNATIONAL HOLDINGS LIMITED
佑威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 627)

27 October 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION; (3) VERY SUBSTANTIAL DISPOSALS; (4) PLACING OF SHARES UNDER SPECIFIC MANDATE; AND (5) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular issued by the Company to Shareholders dated 27 October 2017 of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

The Independent Board Committee has been formed to advise you in relation to the Acquisition, the Share Placing, the Disposals, the Whitewash Waiver and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" contained in this circular. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the IBC and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendations and the principal factors it has taken account in arriving at its recommendations are set out on pages 142 to 178 of the circular.

Having considered the terms and conditions of the SP Agreement, Whitewash Waiver, the Placing Agreement, the UR Disposal Agreement, the Alfreda Disposal Agreement and after taking into account the advice from the Independent Financial Adviser, we consider that the Acquisition, the Share Placing, the Disposals, the Whitewash Waiver and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition, the Share Placing, the Disposals, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee
U-RIGHT International Holdings Limited

XIE Tom	**MAK Ka Wing, Patrick**	**CHAN Chi Yuen**

Independent non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

MESSIS 大有融資

27 October 2017

To: The Independent Board Committee and the Independent Shareholders of U-RIGHT International Holdings Limited

Dear Sir/Madam,

(1) VERY SUBSTANTIAL ACQUISITION; (2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION; (3) VERY SUBSTANTIAL DISPOSALS; (4) PLACING OF SHARES UNDER SPECIFIC MANDATE; AND (5) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 27 October 2017 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the circular unless the context otherwise requires.

After trading hours on 14 April 2015, the Company and the Vendor entered into the SP Agreement pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Shareholders' Loan for the Consideration of HK$1,511,313,200, which will be satisfied by (i) the issue of no more than 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share issued and allotted under specific mandate proposed to be obtained at the SGM; and (ii) the remaining amount of HK$100,000,000 by cash and/or the Promissory Note (if applicable).

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as the applicable percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition.

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) involves an acquisition of assets from the Vendor which will result in a change in control (as defined under the Takeovers Code) of the Company. Accordingly, the Company is treated as if it is a new listing applicant under Rule 14.54 of the Listing Rules. The Restructured Group must be able to meet the basic listing eligibility requirements of the Listing Rules. The Company must also comply with the procedures and requirements for new listing applicants as set out in Chapter 9 of the Listing Rules.

Subsequent to the signing of the SP Agreement, the Company has entered into two sale and purchase agreements to dispose of its Company Subsidiaries. The completion of the Disposals, when materialised, are expected to take place simultaneously with or immediately after the SP Completion.

As the highest of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Disposals, on an aggregated basis, exceed 75%, the Disposals together constitute a very substantial disposal transaction for the Company under Rule 14.06(4) of the Listing Rules and will therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising Mr. Xie Tom, Mr. Mak Ka Wing, Patrick and Mr. Chan Chi Yuen, being all the independent non-executive Directors of the Company, has been formed to advise the Independent Shareholders in relation to the SP Agreement and the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder.

We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder are fair and reasonable; and (ii) to advise the Independent Shareholders on how to vote on the relevant resolutions in the SGM.

OUR INDEPENDENCE

In the last two years, we have not acted as an independent financial adviser in respect of the Company's other transactions. As at the Latest Practicable Date, other than this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals, and transactions contemplated thereunder, we did not have any other relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. We are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the circular have been arrived at after due and careful consideration and there are no other facts not contained in the circular the omission of which would make any statement contained in the circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, the Target Group or any of the other parties involved in the Acquisition and Disposals. We have not considered the taxation implication on the Group or the Shareholders as a result of the SP Agreement and the Acquisition, the Share Placing, the Disposals and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

A. The Acquisition

A1. Background of the Acquisition and the Vendor

After trading hours on 14 April 2015, the Company and the Vendor entered into the SP Agreement pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Shareholders' Loan for the Consideration of HK$1,511,313,200, which shall be satisfied by (i) the issue of not more than 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share issued under specific mandate proposed to be obtained at the SGM; and (ii) the remaining amount of HK$100,000,000 by cash and/or the Promissory Note (if applicable).

The Vendor, Tongda Enterprises Limited is a limited company incorporated in the BVI and is principally engaged in investment holding. Immediately prior to the entering into of the SP Agreement, the ultimate beneficial owner of the Vendor, Mr. Pan, was holding 1,080,000 Shares, representing approximately 0.08% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, and its ultimate beneficial owners are Independent Third Parties to the Company and its current connected persons.

A2. Information of the Group

The Group is principally engaged in wholesale of garments and retail of fashion garments covering men, women and children's wear and trading of construction materials and property investment.

Set out below is a summary of the financial information of the Group for each of the three years ended 31 March 2017, which are extracted from the Company's annual reports for the year ended 31 March 2016 (the "**Annual Report 2016**") and 31 March 2017 (the "**Annual Report 2017**") respectively:

Table 1: Extract of consolidated statement of profit or loss

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Turnover from continuing operations	190,616	231,261	257,892
Profit/(loss) for the year from continuing operations	(2,449)	(6,830)	(5,916)
Profit/(loss) for the year from discontinuing operations	3,895	(6,604)	1,608
Total comprehensive income/(loss) for the year attributable to owners of the Company	1,488	(19,655)	(8,976)

Table 2: Extract of consolidated statement of financial position

	As at 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets	26,307	10,880	10,084
Current assets	153,789	43,705	46,728
Current liabilities	(31,154)	(8,877)	(16,092)
Net assets/(liabilities)	148,942	128,983	119,746
Disposal group classified as held for sale	—	122,709	105,112
Liabilities directly associated with the disposal group	—	(39,434)	(26,086)

Comparison of consolidated statement of profit or loss

Financial year ended 31 March 2015 versus financial year ended 31 March 2016

The turnover generated from trading business of construction materials increased from approximately HK$190.6 million for the year ended 31 March 2015 to approximately HK$231.3 million for the year ended 31 March 2016. However, the loss from continuing operations deteriorated from approximately HK$2.4 million for the year ended 31 March 2015 to approximately HK$6.8 million for the year ended 31 March 2016 which was mainly due to the increase in selling and administrative expenses including one-off professional legal cost for a litigation proceeding incurred during the year ended 31 March 2016. The Directors considered that the loss for the year attributable to owners of the Company was mainly due to the weakened market and the disposal decision of garment business. The Group is undergoing a transformation and experiencing the strategically transitional impact that lead to a loss for the year attributable to the owners of the Company.

Financial year ended 31 March 2016 versus financial year ended 31 March 2017

With reference to the Annual Report 2017, the Group was still operating two distinctive business lines, namely (i) trading of construction materials and property investment, and (ii) wholesale of garments and retail of fashion garments, textiles and leather which represent the continuing and discontinuing operations of the Group respectively. Turnover from continuing operation slightly improved by approximately 11.5% from HK$231.3 million for the year ended 31 March 2016 to HK$257.9 million for the year ended 31 March 2017 while gross profit margins slightly dropped from 2.8% to 2.3% for the respective year. The Directors are of the view that retail sector remained tough amid gradual slowdown of China's economic growth. Steel market experienced multiple rises and falls with an extended range of volatility in steel prices and buyers of construction materials adopted a more cautious attitude and postponed their purchases. Total comprehensive loss for the year attributable to owners of the Company improved

from approximately HK$19.6 million for the year ended 31 March 2016 to HK$9.0 million for the year ended 31 March 2017 which was mainly attributable to less impairment on goodwill recognised for discontinuing operation.

Comparison of Consolidated Statement of Financial Position

Financial position as at 31 March 2015 versus financial position as at 31 March 2016

The net assets decreased slightly from HK$148,942,000 as at 31 March 2015 to HK$128,983,000 as at 31 March 2016, representing a decrease of approximately 13.4%. The decrease was mainly due to the loss incurred during the year.

Financial position as at 31 March 2016 versus financial position as at 31 March 2017

The net assets decreased slightly from HK$128,983,000 as at 31 March 2016 to HK$119,746,000 as at 31 March 2017, representing a decrease of approximately 7.2%. The decrease was mainly due to the loss incurred during the year.

In light of the deteriorating financial performance of the Group and the loss making position of the Group for the year ended 31 March 2017, the Directors considered that the Group is facing keen competition of the garment business and the construction material business has been exerting pressure on the performance of the Group as indicated by the deteriorating gross profit margin for discontinuing operations from approximately 6.4% for the year ended 31 March 2015 to 4.9% for the year ended 31 March 2017 and the much lower gross profit margin for continuing operations of approximately 2.3% in accordance with the Annual Report 2017.

A3. Information of the Target Group

The Target Group is primarily engaged in the development and sale of residential and commercial properties in Changsha, in the PRC through its PRC Operating Subsidiaries. The Target Group generated its revenue primarily from sales of properties and property management services during the Track Record Period. As at the 31 July 2017, the Target Group had a portfolio of six active property projects under various stages within the development cycle which comprised (i) two residential property projects, namely Qianlong Academy (錢隆學府) and Qianlong Premier Mansion (錢隆首府); (ii) one residential complex project, namely Qianlong Royal Family (錢隆世家); (iii) two residential and commercial complex projects, namely Qianlong Fine Art (錢隆樽品) and Qianlong International (錢隆國際); and (iv) one commercial project, namely Fullsun International Financial Centre (福晟國際金融中心), in Changsha, with a total GFA of approximately 1,439,710 sq.m.. Of these active projects, as at 31 July 2017, the Target Group: (i) had completed the development of a total GFA of approximately 812,849 sq.m.; (ii) was in the process of developing a total GFA of approximately 370,133 sq.m.; and (iii) was holding for future development land with a total GFA of approximately 256,729 sq.m., for which the Target Group holds land use rights certificates.

The Target Group's property development projects are primarily financed through capital contributions or advances provided by its shareholders, bank loans, trust and other loans and internal cash flows. As at 31 July 2017, the estimated future development costs for the projects of the Target Group was approximately RMB1.4 billion.

On 12 April 2015, the Vendor entered into the Loan Agreement with the Target Company and pursuant to which, the Vendor will provide an unpledged interest free shareholders' loan of not less than US$49.93 million to the Target Company for a term of four years from the date of the Loan Agreement. Upon SP Completion, the Shareholders' Loan will be assigned to the Company and as at the Latest Practicable Date, the Shareholders' Loan amounting to approximately US$50.13 million (equivalent to approximately HK$388 million). As confirmed by the Vendor, it has no intention to advance further loan to the Target Company prior to SP Completion.

The Target Group's revenue was recognised upon completion and delivery of the properties to the customers. For the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2017, the total revenue of the Target Group amounted to approximately RMB1,137.7 million, RMB942.8 million, RMB768.4 million, and RMB136.8 million, respectively. The net profit of the Target Group for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2017 amounted to approximately RMB86.8 million, RMB122.7 million, RMB66.8 million, and RMB51.2 million, respectively.

Set out below is a summary of the financial information of the Target Group during the Track Record Period, which are extracted from the "Accountants' report on the Target Group" in Appendix III to this circular:

Table 3: Extract of consolidated statement of profit or loss of the Target Group

	For the year ended 31 December			**For the four months ended 30 April**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Revenue	1,137,733	942,791	768,363	284,051	136,822
Gross Profit	206,433	258,670	192,243	71,442	99,065
Profit and total comprehensive income for the year/period	86,828	122,729	66,752	24,239	51,163

Table 4: Extract of consolidated statement of financial position of the Target Group

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*
Non-current assets	37,135	44,058	48,686	56,832
Current assets	2,517,073	2,644,456	2,655,272	2,831,154
Current liabilities	(1,198,293)	(1,768,706)	(840,291)	(1,470,352)
Net current assets	1,318,780	875,750	1,814,981	1,360,802
Non-current liabilities	(1,207,611)	(671,865)	(1,548,972)	(1,051,776)
Net assets	148,304	247,943	314,695	365,858

Comparison of consolidated statement of profit or loss of the Target Group

During the Track Record Period, revenue was mainly derived from sales of properties and property management services where sales of properties constituted a substantial portion, representing over 90% of the revenue. With reference to the section headed "Financial information of the Target Group" in this circular, the revenue decreased from RMB1,137,733,000 for the year ended 31 December 2014 to RMB942,791,000 for the year ended 31 December 2015, representing a decrease of approximately 17.1%. The decrease in revenue was mainly attributable to the decrease in revenue from Qianlong Premier Mansion (錢隆首府) resulted from the decrease in GFA delivered during the year that outweighs the positive effects of increase in average selling price for Qianlong Fine Art (錢隆樽品) and increase in gross floor area delivered for Qianlong Royal Family (錢隆世家). Despite a drop in revenue for the year ended 31 December 2015, the Target Group recorded a surge in profit and total comprehensive income for the year from RMB86,828,000 to RMB122,729,000 as compared with the previous year. Such increase was mainly due to the growth in gross profit and gross profit margin attributable to the increase in average selling price of retail shops in Qianlong Fine Art (錢隆樽品).

The revenue decreased from approximately RMB942,791,000 for the year ended 31 December 2015 to approximately RMB768,363,000 for the year ended 31 December 2016, representing a decrease of approximately 18.5%. The decrease in revenue was mainly due to the decrease in GFA delivered for Qianlong Premier Mansion (錢隆首府) and Qianlong Fine Art which contributed approximately RMB395.3 million less in revenue. Such decrease is mainly net off by the increase in GFA delivered for Qianlong Royal Family (錢隆世家) which contributed approximately RMB227.0 million more in revenue. The Target Group's profit and total comprehensive income decreased significantly from approximately RMB122.7 million for the year ended 31 December 2015 to approximately RMB66.8 million for the year ended 31 December 2016, representing a decrease of approximately 45.6%. Such decrease was mainly due to (i) the decrease in revenue and gross profit; and (ii) increase in finance costs resulted from the interest expenses incurred in the construction of Qianlong Premier Mansion (錢隆首府) not being eligible for

capitalisation during the year ended 31 December 2016 due to the completion of the relevant construction works for the project as compared with the case that most of the Target Group's interest expenses being capitalised for the previous year.

The revenue decreased by 51.8% from approximately RMB284.1 million for the four months ended 30 April 2016 to approximately RMB136.8 million for the four months ended 30 April 2017 which was mainly due to the decrease in GFA delivered for Qianlong Premier Mansion (錢隆首府), Qianlong Fine Art (錢隆樽品) and Qianlong Royal Family (錢隆世家) which contributed approximately RMB237.5 million less in revenue. Such decrease is mainly net off by the increase in GFA delivered for Qianlong International (錢隆國際) which contributed approximately RMB89.5 million more in revenue. The Target Group's profit and total comprehensive income increased significantly by approximately RMB27.0 million from approximately RMB24.2 million for the four months ended 30 April 2016 to approximately RMB51.2 million for the four months ended 30 April 2017. Such increase was mainly due to (i) the increase in gross profit and gross profit margin arising from revenue generated from the retail shops in Qianlong International (錢隆國際) and Qianlong Fine Art (錢隆樽品); and (ii) the decrease in finance costs resulted from interest expenses being capitalised for the four months ended 30 April 2017.

With reference to the section headed "Financial information of the Target Group" in this circular, gross profit margin of the Target Group depends upon a combination of factors, including the volume and price at which the Target Group sells properties, the land acquisition costs, construction costs and capitalised finance costs. The gross profit margin ranged from approximately 18.1% to approximately 72.4% during the Track Record Period.

Comparison of consolidated statement of financial position of the Target Group

The Target Group was in a healthy financial position with net assets of approximately RMB148,304,000, RMB247,943,000, RMB314,695,000 and RMB365,858,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively.

Further information on the Target Group can be found in the sections headed "Business of the Target Group" and "Financial information of the Target Group" in this circular. Independent Shareholders should also pay attention to the section headed "Risk factors" in the circular on risks associated with the Acquisition, the Target Group and its business.

The properties development business of the Target Group generated consistent profits and maintained a healthy financial status during the Track Record Period.

A4. Market overviews

The PRC property market

With reference to the "Industry overview" in Appendix I to this circular, the PRC government has put in place certain policies which are intended to stabilise the real estate prices and control the real estate loan in the PRC. These policies primarily relate to, among others, control over purchasing properties for speculation and adjustment of the minimum capital ratio of fixed asset investment projects according to the economic situations and the necessity of macro-economic control. Moreover, according to "Report on the Work of the Government" (政府工作報告) delivered by Mr. Li Keqiang, Premier of the State Council at the Fifth Session of the Twelfth National People's Congress in March 2017, the PRC government stated clearly that housing is for people to live in, and local governments should take primary responsibility in this respect. The PRC government would exercise category-based regulation and targeted steps over the real estate market, take targeted policies to cut excess urban real estate inventory, support both local and new residents in buying homes for personal use, increase the proportion of people affected by rebuilding in rundown urban areas receiving monetary compensation and move faster to establish robust long-term mechanisms for promoting the steady and sound development of the real estate sector.

Under the effects of domestic investment, consumption and rapid growth of the PRC economy, the PRC property market has been growing rapidly. The total investment in real estate development projects increased from approximately RMB4,825.9 billion in 2010 to approximately RMB10,258.1 billion in 2016, representing a CAGR of approximately 13.4%. According to the data released by the National Bureau of Statistics of China, in 2016, the total GFA of commodity residential housing completed was 771.9 million sq.m.. The GFA of commodity residential housing under construction was approximately 5,213.1 million sq.m.. The GFA of commodity housing sold was approximately 1,375.4 million sq.m.. Meanwhile, due to the increase of demand in the property market by investors, both the transaction volume and price increased. The average selling price of commodity residential housing rose from approximately RMB4,725.0 per sq.m. in 2010 to approximately RMB7,202.6 per sq.m. in 2016. While the average selling price of houses for business increased from RMB7,747.0 in 2010 to RMB9,786.3 in 2016, representing a CAGR of approximately 4.0%.

The recent economic downturn has certain negative impact on the PRC property market. However, with the announcement of restriction policies by some rapidly growing tier-one and tier-two cities, the investors have turned to other tier-two cities. Changsha is one of the tier-two cities that will benefit from those policies announcement, and can attract more investors.

Since the Target Group was one of the top 50 real estate enterprises in Changsha in 2016, we have made reference to the property market in Changsha as set out in the "Industry overview" in Appendix I to this circular. According to the findings, Changsha is attracting more and more domestic real estate enterprises. Due to the regional nature of the real estate industry, the Target Group's major competitors consist of property developers developing residential properties in Changsha. From 2010 to 2016, a large

number of famous real estate enterprises, such as Longfor, Greenland, Gemdale, China Resources Land, Agile, Excellence, Poly, Wanda, Kaisa, Jinmao, Vanke, have acquired development land in Changsha. It is estimated that more real estate enterprises will participate in Changsha's real estate market.

According to the "Opinion of Hunan Residential and Urban Construction Committee to promote Stable and Healthy Development of Hunan Real Estate Market" (《湖南省住房和城鄉建設廳關於促進全省房地產市場平穩健康發展的意見》) issued by Residential and Urban Construction Committee on 8 November 2014, the government will promote the stable and healthy development by "Xiang Five Policies" (《湘五條》) as follows:

Indemnificatory Housing:

1. A proper quantity of commodity housing purchased by local governments, enterprises and economic zones and used as public rental residential and resettlement residential;

2. Incorporated in 2015 Provincial Indemnificatory and Resettlement Housing Scheme;

3. Took advantage of financial support from National/Provincial Indemnificatory and Resettlement Housing Scheme;

4. Included in tax reduction or remission policy for ancillary housing.

Housing Funds:

1. Provident-fund-guaranteed home loans could be applied by depositor of Housing Funds who purchases house within the province.

2. Housing Funds limited to the monthly deposit of Housing Funds could be used as rental payment for those citizen without owning of house.

Developers:

1. The grade-A real estate enterprise can be issued a commodity housing pre-sale permit when the incurred investment is greater than 25% of the total budgeted investment and the construction reach above ground level.

Government Approval:

1. Simplify government procedures to increase efficiency.

Others:

1. Specific execution plans can be set up by local government according to actual situation.

Having considered (i) the rapid growth of the PRC property market over the years; and (ii) the favourable policies to the real estate market in Hunan Province, we are of the view that the future prospect and outlook of the property market in PRC and the property business with focus in Changsha is positive.

A5. Reasons for the Acquisition

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

(i) the Board has continuously been exploring different investment opportunities. Through the Acquisition, the Company can acquire the well-established businesses of the Target Group in the PRC;

(ii) as set out in the recent financial report of the Group, the Group experienced a decline in its garment retail business due to the weak domestic garment market and the emergence of internet retail business in China;

(iii) in light of the weak prospect of wholesaling and retailing of garment business presently carried on by the Group and the various challenges and uncertainties lied ahead in the retailing industry under the current global macro-economic environment, the Acquisition allows the scope of business of the Group to be replaced and the quality assets proposed to be acquired are expected to enhance the Company's value to the Shareholders; and

(iv) the settlement of the consideration under the SP Agreement through the issue of Consideration Shares allows the Company to minimise its funding costs.

Having considered that (i) the deteriorating gross profit margin of the Group's business due to keen competition of the garment business and the construction material business has been exerting pressure on the performance of the Group as analysed in the paragraph headed "Information of the Group" in this letter; (ii) the properties development business of the Target Group generated consistent profits and maintained a healthy financial status during the Track Record Period as analysed in the paragraph headed "Information of the Target Group"

in this letter; and (iii) the positive prospect and outlook of the property market in PRC, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

A6. Principal terms of the Acquisition

A6.1 The Consideration

The Consideration for the sale and purchase of the Sale Shares and the Shareholders' Loan is HK$1,511,313,200, which will be satisfied by (i) the issue of not more than 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share under specific mandate; and (ii) the remaining amount of approximately HK$100,000,000 by cash and/or the Promissory Note (if applicable).

(i) Valuation of the properties of the Target Group

The property valuation report of the Target Group, which was prepared by DTZ Cushman & Wakefield Limited (the "**Valuer**") contains the valuation as well as the details of the methodologies and assumptions of the valuation (the "**Valuation Report**"), in Appendix VI to this circular. According to the Valuation Report, the appraised value of the properties of the Target Group at 31 July 2017 is approximately RMB3.9 billion.

We have interviewed the Valuer as to its expertise and independence. The Valuer confirmed to us that (a) it is one of Asia's largest real estate consulting practices and the registered surveyor in charge of the project has over 29 years' experience in various fields of the property industry in the PRC; and (b) except for its engagement in respect of the valuation of the properties of the Target Group, it has no current or prior relationships with the Company, the Target Group and their connected persons. We are not aware of any matters that would cause us to question the Valuer's expertise and independence.

We have reviewed the terms of engagement of the Valuer paying particular attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might adversely affect the degree of assurance given in the Valuation Report.

We understand from the Valuer that it has relied on certain information made available to it by the Target Group and its legal adviser. We note that such representations made by the Target Group to the Valuer are consistent with the information contained in the circular. We also understand that the Valuer has physically inspected the properties of the Target Group in May 2017 in PRC. In addition, Valuer is not aware of any matters that would cause it to question the truthfulness or reasonableness of the information provided by the Target Group.

We note from the Valuation Reports that the Valuer has valued the properties of the Target Group by using the direct comparison approach and investment approach. The direct comparison approach makes reference to comparables sales transactions as available in the relevant market while the investment approach based on the capitalisation of the potential income. We understand from the Valuer that both the direct comparison

approach and investment approach are commonly used approaches and are appropriate for assessing the market value of the properties of the Target Group. The Valuer adopted the investment approach as a check for the valuation results derived from direct comparison approach. The Valuer has assumed that properties held by the Target Group under development and for future development in the PRC would be developed and completed in accordance with the latest development proposals provided by the Target Group. We further understand from the Valuer that as part of the direct comparison method, they have made reference to, among others, the recent transaction prices of sites of comparable size, character and location. We have reviewed the comparable transactions that they had made reference to in valuing the properties. Based on our review of such comparable transactions, we note that the value per sq. ft. of maximum permitted gross floor area represented by the appraised value is within the range as indicated by such comparable transactions.

Based on our discussion with the Valuer, it confirmed that the number of transactions that were chosen for comparison is reasonably adequate given the scarcity of comparables with similar characteristic in the vicinity, and that the nature and particulars of the comparable transactions are appropriate and relevant for providing a fair and reasonable basis for the Valuer's opinion of the market value of the properties of the Target Group. Valuer further confirmed that such valuation was prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors.

Based on all of the foregoing, we concur with the Valuer's view that (i) the valuation methodology adopted by the Valuer is common and appropriate for determining the market value of properties of the Target Group; (ii) the basis and assumptions for the valuations of the properties of the Target Group are fair and reasonable; and (iii) the appraised value of approximately RMB3.9 billion as at 31 July 2017 was fairly and reasonably derived.

(ii) Valuation of assets to be acquired after revaluation of properties of the Target Group (Note 1)

The difference between total consideration sum and the value of assets to be acquired is analysed below:

		HK$' million *(Note 3)*	**HK$' million**
Consideration			1,511
Less:			
Value of assets to be acquired			
— Net asset value of the Target Group as at 30 April 2017	*(Note 2)*	(413)	
— Amount due to immediate holding company	*(Note 2)*	(372)	
Net book value of assets to be acquired			(785)
Market value of properties as at 31 July 2017 as set out in the property valuation report in Appendix VI to this circular		(4,419)	
Book value of properties as at 30 April 2017	*(Note 2)*	2,741	
Net valuation surplus arising from the difference between book value and market value of properties			(1,678)
Discount			(952)

After taking into consideration the revaluation of properties of Target Group in accordance with the Valuation Report set out in Appendix VI to this circular, the consideration to be paid for the acquisition of Target Group would be at a discount of approximately HK$952 million.

Notes:

1. The valuation of assets to be acquired is calculated for illustrative purpose and does not construe to represent the valuation from the accounting perspective. The Acquisition is at a goodwill of approximately HK$277 million in accordance with the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular.

2. The net asset value, amount due to immediate holding company (i.e. the shareholders' loan assigned in the Acquisition) and book value of properties of the Target Group as at 30 April 2017 is extracted from the audited financial statement of the Target Group as set out in Appendix III to this circular.

3. Amount denominated in RMB is translated to Hong Kong dollars at the exchange rate ruling of RMB1 to HK$1.13.

In assessing the fairness and reasonableness of the Consideration, we have attempted to compare the price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**") as represented by the implied valuation of the 100% equity interest of the Target Group as represented by the Consideration to the audited net profit after taxation of Target Group for the year ended 31 December 2016 and to the audited net asset value of the Target Group as at 30 April 2017 adjusted by the appreciation of the properties of the Target Group in the amount of approximately HK$1,678,000,000 with reference to the valuation of properties as at 31 July 2017 of approximately RMB3.9 billion, with the P/E Ratio and P/B Ratio of other companies engaged in property business similar to the Target Group. Companies are selected up to the Latest Practicable Date based on the following criteria: (i) of companies listed on the Stock Exchange; (ii) generate over 50% of total revenue from property development and property investment businesses in the PRC, which is similar to the principal business of the Target Group; (iii) with net asset value as at the end of the latest financial year of not more than HK$2 billion which represents a similar size to that of the Target Group of approximately HK$2 billion after taking into effect the revaluation of properties; and (iv) in a profit-making position for the latest financial year. We have identified and made references to companies that meet the aforesaid criteria which are exhaustive (the "**Selected Companies**"). We consider that the Selected Companies are fair and representative samples for comparison. Details of our analysis are set out in the following table:

Company name (stock code)	**Principal business activities**	**Net asset value as at the end of the latest financial year (a)** *(Note 1)* *Approximate HK$'million*	**P/B Ratio (b)** *(Note 2)* *times*	**P/E Ratio (c)** *(Note 2)* *times*
Skyfame Realty (Holdings) Ltd. (59)	Property development, property investment and property management	1,995	2.6	49.1
Grand Field Group Holdings Ltd. (115)	Property development, property investment and general trading	684	0.4	15.9
Weiye Holdings Ltd. (1570)	Property developers for residential and commercial properties in the PRC	1,863	0.3	7.7
Sino Harbour Holdings Group Ltd. (1663)	Property development focused on residential properties in Jiangxi Province, the PRC	1,548	1.1	29.1
Hailan Holdings Ltd. (2278)	Residential property development in the Hainan Province, PRC	1,547	0.7	15.5
Chen Xing Development Holdings Ltd. (2286)	Property development, focusing on projects comprising residential and commercial properties	1,110	0.8	5.2
China Uptown Group Co. Ltd. (2330)	Property development	569	0.6	66.7
		Average	0.9	27.0
		Median	0.7	15.9
		Maximum	2.6	66.7
		Minimum	0.3	5.2
The Target Group		2,091 *(Note 3)*	0.5 *(Note 4)*	15.2 *(Note 4)*

Source: Annual reports of Selected Companies

Note:

1. Amount denominated in RMB is translated to Hong Kong dollars at the exchange rate ruling of RMB1 to HK$1.13.

2. P/B Ratio and P/E Ratio are calculated with reference to the closing prices as quoted on the Stock Exchange at the Latest Practicable Date.

3. The amount represents sum of the audited net asset value of the Target Group of HK$413 million as at 30 April 2017 and the revaluation surplus on properties of HK$1,678 million as appraised at 31 July 2017.

4. The P/B Ratio and P/E Ratio of the Target Group is calculated based on the implied valuation of the 100% equity interest of the Target Group amounting to approximately HK$1,139 million deduced after the deduction of shareholders' loan of HK$372 million from the Consideration of HK$1,511 million, divided by the audited net asset value of HK$2,091 million as at 30 April 2017 after taking into consideration of the revaluation of the properties and the net profits of RMB67 million (approximately HK$75 million) for the year ended 31 December 2016 respectively.

As shown from the table above, the P/B Ratios of the Selected Companies range from a minimum of 0.3 times to a maximum of 2.6 times with an average of 0.9 times. The P/B Ratio represented by the Consideration of approximately 0.5 times is within the range and better than the average of the Selected Companies in the sense that the Target Group could be acquired at a relatively lower valuation. The P/E Ratios of the Selected Companies range from a minimum of 5.2 times to a maximum of 66.7 times with an average of 27.0 times. The P/E Ratio represented by the Consideration of approximately 15.2 times is within the range and better than the average of the Selected Companies in the sense that the Target Group could be acquired at a relatively lower valuation.

Notwithstanding that the Target Group is to be acquired at a goodwill of approximately HK$277 million from the accounting perspective, having considered that (i) the acquisition would be at a discount of approximately HK$952 million after taking into account the revaluation of properties as at 31 July 2017; and (ii) the P/B Ratio and P/E Ratio represented by the implied valuation of 100% equity interest of the Target Group are within the range and better than the average of the Selected Companies, we are of the view that the Consideration is fair and reasonable.

A6.2 Payment methods

(I) The Consideration Shares

Pursuant to the SP Agreement, the Company will allot and issue, credited as fully paid, 6,415,060,000 Consideration Shares at the issue price of HK$0.22 per Consideration Share to the Vendor (or its nominees) as part of the Consideration.

The Consideration Shares represent (i) approximately 4.85 times of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 82.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) approximately 61.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the

Placing Shares; and (iv) approximately 56.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the Conversion Shares.

The issue price of HK$0.22 per Consideration Share represents:

(i) a discount of approximately 70.27% to the closing price of the Shares of HK$0.740 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 68.75% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$0.704 per Share;

(iii) a discount of approximately 65.63% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$0.640 per Share;

(iv) a discount of approximately 62.46% to the average of the closing price of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$0.586 per Share;

(v) a discount of approximately 81.03% to the closing price of the Shares of HK$1.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 141.76% over the audited net asset value per Share of approximately HK$0.091 based on the published audited consolidated net asset value of the Company of approximately HK$119,746,000 as at 31 March 2017 and the issued share capital of 1,321,682,525 Shares as at the Latest Practicable Date.

(i) Historical Share price versus Issue Price

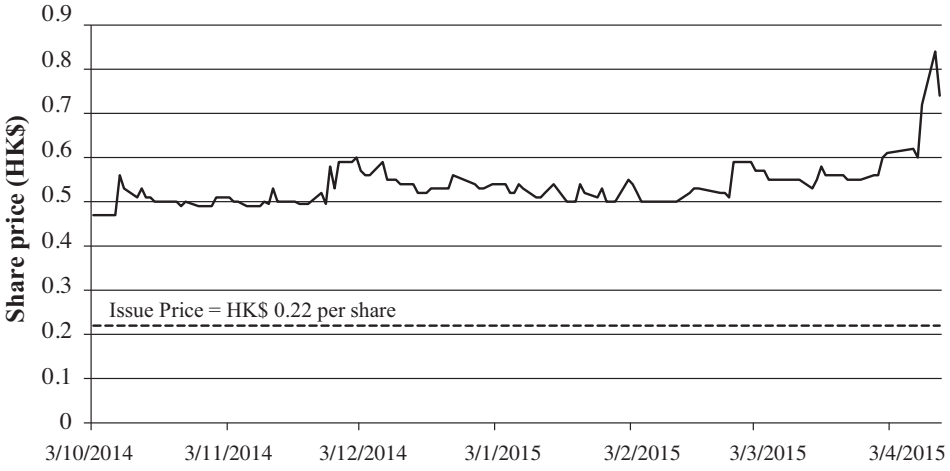
The Issue Price was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the prevailing market price of the Shares; (ii) the audited net asset value of the Company as at 31 March 2015; (iii) the materialisation of the Disposals; and (iv) the current market conditions.

In order to evaluate the fairness and reasonableness of the Issue Price, we have reviewed the movement of the closing price of the Share on the Stock Exchange since 3 October 2014 up to and including the Last Trading Day (the "**Review Period**") which covered approximately six months before and including the date of commencement of suspension period on 14 April 2015 pending the release of the Announcement. We considered that the Review Period covers the appropriate period of time when performing our assessment and analysis since it reflects the market conditions and sentiments at the time of negotiating the Issue Price. That being said, we have also reviewed the movement

of the closing price of the Share on the Stock Exchange for a period of approximately six months up to and including the date of announcement issued on 15 February 2017 in relation to lodging of new listing application by the Group ("**Recent Period**") to draw a comparison between the Issue Price and the recent performance of the Share price.

Set out below is the chart showing the Share price movement during the Review Period:

Daily closing price of the Shares during the Review Period



Source: the website of the Stock Exchange (http://www.hkex.com.hk)

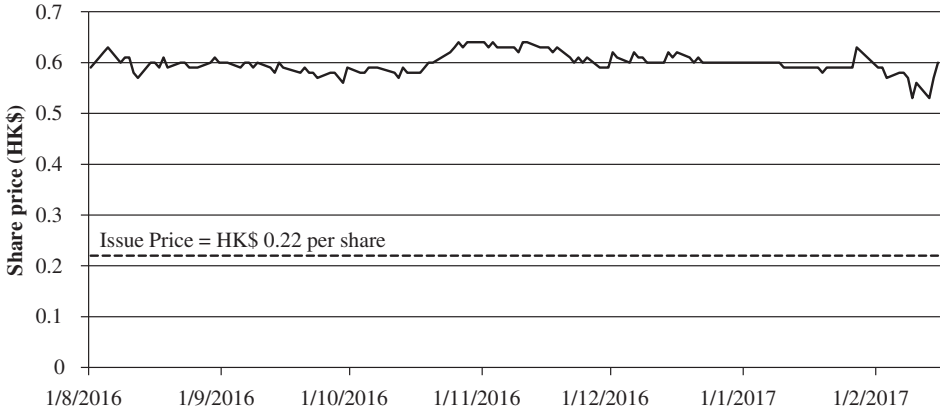
Note: Trading was suspended from 14 April 2015 pending the release of the Announcement.

During the Review Period, the closing price per Share ranged from the lowest of HK$0.47 recorded from 3 to 8 October 2014 to the highest of HK$0.84 recorded on 13 April 2015 with an average of HK$0.53 per Share.

The issue price of HK$0.22 per Share is below the daily closing prices of the Shares during the Review Period and represents (i) a discount of approximately 73.8% to the highest closing price; (ii) a discount of approximately 53.2% to the lowest closing price; and (iii) a discount of approximately 58.5% to the average daily closing price during the Review Period.

Set out below is the chart showing the Issue Price against recent performance of the Share price:

Daily closing price of the Shares during the Recent Period



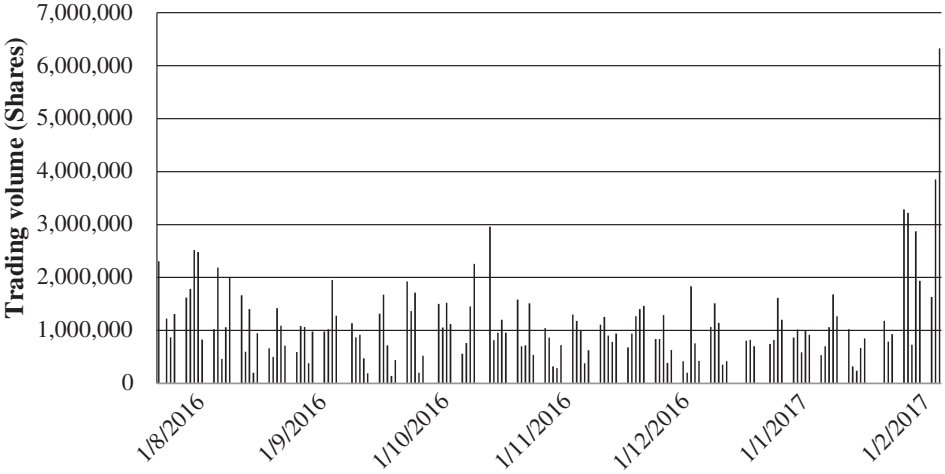
Source: the website of the Stock Exchange (http://www.hkex.com.hk)

The issue price of HK$0.22 per Share is below the daily closing prices of the Shares for the six months up to and including the date of announcement issued on 15 February 2017 in relation to lodging of new listing application by the Group and represents (i) a discount of approximately 65.6% to the highest closing price; (ii) a discount of approximately 58.5% to the lowest closing price; and (iii) a discount of approximately 63.3% to the average daily closing price.

(ii) Historical trading volume during the Recent Period:

Set out below is the trading volume during the Recent Period:

Daily trading volume of the Shares during the Recent Period



Source: the website of the Stock Exchange (http://www.hkex.com.hk)

A table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared with the total number of issued Shares during the Recent Period is as follows:

	Total trading volume of the Shares in the month	**Number of trading days in the month**	**Average daily trading volume of the Shares in the month** *(Number of shares)* *(Note 1)*	**Number of trading days with no turnover (excluding suspension period)** *(days)*	**Percentage of average daily trading volume to total number of shares in issue as at the end of each month** *(Approximate %)* *(Note 2)*
2016					
August	29,093,676	22	1,322,440	—	0.10
September	19,038,740	21	906,607	—	0.07
October	24,452,503	19	1,286,974	—	0.10
November	19,100,980	22	868,226	—	0.07
December	17,316,380	20	865,819	—	0.07
2017					
January	17,137,580	19	901,978	—	0.07
February (up to and including the date of announcement issued on 15 February 2017)	26,760,140	11	2,432,740	—	0.18

Source: website of the Stock Exchange (http://www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/ period by the number of trading days during the month/ period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on the number of shares in issue as at the end of each month.

3. The Recent Period started from 1 August 2016 up to and including 15 February 2017 which was the date of announcement in relation to lodging of listing application by the Group.

The average daily trading volume of the Shares per month during the Recent Period ranged from approximately 0.07% in September, November and December 2016 and January 2017 to 0.18% in February 2017 of the total number of issued Shares as at the end of the respective month/period. Having considered that the average daily trading volumes of the Shares were below 1% of the total number of issued Shares during the Recent Period, we are of the view that the liquidity of the Shares was generally low.

The Group is undergoing a corporate restructuring process to enter into the property development industry in the PRC by issuing Consideration Shares to an extent that gives rise to a reverse takeover. We have identified, as far as we are aware of, only one notifiable transaction involving issue of consideration shares in a reverse takeover by listed company in Hong Kong during the Review Period. A limited reference to one single transaction in the market during the Review Period could not represent market trend and practice at the time of negotiating the Issue Price and may not be able to give any meaningful insight into the fairness and reasonableness of Issue Price. Accordingly, focus is placed on the historical share price, trading volume and net asset value of the Group in assessing the fairness and reasonableness of the Issue Price of the Consideration Share.

We note that the Issue Price is at a substantial premium of approximately 141.76% to the audited net asset value per Share as at 31 March 2017. Whilst the Issue Price is at a discount of approximately 81.03% to the closing price of the Shares of HK$1.16 per Share on the Latest Practicable Date, taking into account (i) the above-mentioned premium to the net asset value per share; and (ii) the generally low liquidity of the Shares which imposes difficulties on the Company to raise sufficient funds for the Acquisition through equity financing without discount in Issue Price, we are of the view that the issuance of the Consideration Shares at the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

(II) Promissory Note

The remaining part of the Consideration would be satisfied by cash and/or Promissory Note of approximately HK$100,000,000.

(i) The principal terms of the Promissory Note are summarised below:

Principal amount	up to HK$100,000,000
Maturity	the second anniversary of the issue date of the Promissory Note
Interest	the Promissory Note shall bear no interest
Early Repayment	the Company could, at its discretion, repay the Promissory Note in whole or in part prior to the maturity date and there will not be any premium over or discount to the payment obligations under the Promissory Note for any early repayment
Transferability	the Promissory Note is not transferable or assignable unless with the prior consent of the opposing party

(ii) Analysis of comparable transactions involving issue of promissory notes

In assessing the fairness and reasonableness of the terms of Promissory Note, we have identified, as far as we are aware of, nine issuance of promissory notes by listed companies in Hong Kong to settle all or part of the consideration, arising from an acquisition transaction during the Review Period (the "**PN Comparable**") which we consider to reflect the market conditions and sentiments at the time of proposing the use of Promissory Note. Shareholders should note that the business, operations and prospect of the Company are not the same as the PN Comparable and we have not conducted any in-depth investigation into the businesses and operations of the PN Comparable. The table below summarises our relevant findings which represent fair and representative samples and are exhaustive:

Date of announcement	**Company name (Stock code)**	**Principal amount**	**Maturity**	**Interest** *(p.a.)*
9/12/2014	Merdeka Mobile Group Limited (8163)	HK$32,000,000	42 months	0.00%
19/12/2014	China Agroforestry Low-Carbon Holdings Limited (1069)	HK$35,000,000	3 years	8.00%
22/12/2014	National Arts Entertainment And Culture Group Limited (8228)	HK$100,000,000	3 years	9.00%
3/2/2015	Kiu Hung International Holdings Limited (381)	HK$92,000,000	1 year	0.00%
6/2/2015	Cypress Jade Agricultural Holdings Limited (875)	HK$100,000,000	3 years	3.00%
16/2/2015	Enterprise Development Holdings Limited (1808)	HK$160,000,000	3 years	6.00%
10/3/2015	Madex International (Holdings) Limited (231)	HK$400,000,000	3 years	2.00%

Date of announcement	Company name (Stock code)	Principal amount	Maturity	Interest *(p.a.)*
27/3/2015	Kiu Hung International Holdings Limited (381)	Promissory note A: HK$6,500,000 Promissory note B: HK$31,500,000 *(Note)*	2 months/1 year	0.00%
	Maximum		42 months	9.00%
	Minimum		2 months	0.00%
	Average		27.5 months	3.11%
	The Group	HK$100,000,000	2 years (24 months)	0.00%

Source: Statutory announcements of PN Comparable

Note: Two promissory notes issued in one transaction are treated separately as two PN Comparable.

The maturity of the PN Comparable ranged from a minimum of 2 months to a maximum of 42 months with an average of approximately 27.5 months. The 2 years maturity of the Promissory Note issued by the Group falls within the market range and approximated to the average of that of the PN Comparable. The interest rate of the PN Comparable ranged from a minimum of nil to a maximum of 9.00% per annum with an average of 3.11% per annum. The non-interest bearing Promissory Note issued by the Group is on the lower boundary of the range which is favourable to the Group.

Having considered that (i) the material terms of the Promissory Note are in line with market practice with maturity and interest rate falling within the range of the PN Comparable; and (ii) the interest-free Promissory Note would not impose extra financial burden on the Group, we are of the view that terms of the Promissory Note are fair and reasonable and the issuance of Promissory Note to settle part of the Consideration is in the interest of the Company and the Shareholders as a whole.

B. Share Placing

The Share Placing will be inter-conditional with the Acquisition. The Company and the Vendor have agreed, and are intended, to broaden the shareholders base of the Company through the Share Placing riding on the Acquisition.

The Company intends to use the net proceeds from the Share Placing (together with the net proceeds from the Disposals and the CB Placing in the amount of approximately HK$73.21 million and HK$199 million respectively) to (i) settle the full amount of the Promissory Note in respect of the Acquisition in the amount of HK$100,000,000; (ii) invest in a property development project in Changsha, the PRC in the amount of approximately HK$450 million

and as at the Latest Practicable Date, neither the Company nor the Vendor has entered into agreements in respect of the project; and (iii) repay certain borrowings of the Restructured Group and/or use as general working capital of the Company upon SP Completion.

The expected minimum amounts to be raised under the Share Placing is approximately HK$600.00 million. The Placing Agreement is entered into on 20 October 2017. The completion of the Share Placing is expected to take place simultaneously with or immediately after the SP Completion.

The Directors have considered alternative fund raising methods such as bank borrowings and rights issue/open offer, however, taking into account:

(i) bank loans and/or other borrowings with interest rate will inevitably increase the interest burden and adversely affect the financial position of the Restructured Group;

(ii) given the Company is currently undergoing the process of restructuring, fund-raising by rights issue or open offer on a fully underwritten basis, which require the underwriter to lock-up financial resources for its underwriting commitment until completion of the rights issue or open offer, is not preferred in the market;

(iii) an open offer on a non-fully underwritten basis is require to meet the minimum amount of funds raised set by and disclosed in the relevant listing document of the Company in order for the issue to proceed. This may result in the inability of the Company to implement its development plan and restructuring process as there is a possibility that no funds could be raised from such open offer if minimum amount is not met As such, the Company considers the Share Placing involve less uncertainty risk than an open offer on a non-fully underwritten basis; and

(iv) the Share Placing would enable the Company to broaden its shareholder base as their respective placees are Independent Third Parties and independent of the Vendor and its ultimate beneficial owners.

The Directors are of the view the Share Placing is in the interests of the Company and the Shareholders as a whole.

Pursuant to the Placing Agreement, the share placing price per Placing Share is HK$0.22 which is the same as the Issue Price. Whilst the Share Placing Price is at a discount of approximately 81.03% to the closing price of the Shares of HK$1.16 per Share on the Latest Practicable Date, taking into account (i) the premium of approximately 141.76% to the net asset value per share; and (ii) the generally low liquidity of the Shares with average daily trading volume of below 1% of the total number of issued Shares which imposes difficulties on the Company to raise sufficient funds through equity financing without discount in Share Placing Price, we are of the view that the Share Placing Price is fair and reasonable so far as the Independent Shareholders are concerned. Details of our analysis are discussed in the previous paragraphs headed ''Principal terms of the Acquisition — Historical Share price versus Issue Price'' and ''Historical trading volume during the Recent Period'' in this letter.

Taking into account of (i) the larger scale of the business of the Target Group which requires strong capital base for its business development; and (ii) the substantial amount to be raised from the Share Placing (HK$600.00 million) comparing with the latest cash position of the Group of approximately HK$3,877,000 as at 31 March 2017, we consider that raising additional capital for the Group is in the interests of the Company and its Shareholders as a whole. We have held discussion with the management of the Company about the possibility of the alternative fund raising methods which is stated above. In consideration of the reasons and the latest cash position of the Group as stated above, we concur with the Directors' view that the way of fund raising by the Share Placing is in the interests of the Company and the Shareholders as a whole.

C. The Disposals

C1. Background of the Disposals

After trading hours on 27 October 2015, the Company and the UR Purchaser entered into the UR Disposal Agreement pursuant to which the Company has agreed to sell and the UR Purchaser has agreed to purchase the entire issued share capital of UR Group Limited and a shareholder's loan in the sum of approximately HK$18.56 million owed by UR Group Limited to the Company for a total consideration of approximately HK$56.50 million.

After trading hours on 27 October 2015, the Company and the Alfreda Purchaser entered into the Alfreda Disposal Agreement pursuant to which the Company has agreed to sell and the Alfreda Purchaser has agreed to purchase the entire issued share capital of Alfreda Limited and a shareholder's loan in the sum of HK$16.8 million owed by Alfreda Limited to the Company for a total consideration of HK$22.36 million.

The completions of the Disposals are expected to take place simultaneously with or immediately after, the SP Completion.

UR Group Limited, a direct wholly-owned subsidiary of the Group prior to the UR Disposal, was incorporated in the BVI. It was an investment holding company and its subsidiaries were primarily engaged in the (i) retail of fashion garments in the PRC; and (ii) wholesale trading of raw materials and textile products in the PRC.

Alfreda Limited, a direct wholly-owned subsidiary of the Group prior to the completion of the Alfreda Disposal, was incorporated in the BVI. It was an investment holding company and its subsidiaries were primarily engaged in design, distribution and sale of fashion apparels in the PRC.

Set out below is the extract of unaudited financial information of UR Disposal Group and Alfreda Disposal Group for the financial years ended 31 March 2015, 2016 and 2017:

	For the year ended/ as at 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
UR Disposal Group			
Profit for the year attributable to owners of UR Disposal Group	4,963	2,104	1,634
Equity attributable to owners of UR Disposal Group	33,294	33,526	34,681
Alfreda Disposal Group			
Profit/(loss) for the year attributable to owners of Alfreda Disposal Group	(1,170)	(8,670)	(4)
Equity attributable to owners of Alfreda Disposal Group	16,760	6,481	4,838

C2. Reasons for the Disposals and use of proceeds

The Disposals are conditional to the SP Completion and aside from the benefits in the paragraph headed "Reasons for the Acquisition" in this letter, particularly, in view of the prospect and potential of the businesses of the Company Subsidiaries under the emergence of online retailing, the Board believes the Disposals allow the Group to enhance and strengthen the financial position and cash flow of the Group. In addition, the Company intends to use the net proceeds (after deducing the relevant professional fees) from the Disposals in the amount of approximately HK$73.21 million to fund the property development project (to the best knowledge of the Directors, the counterparty is an Independent Third Party and independent to the Vendor and its beneficial owners) intended to be acquired in Changsha, the PRC as mentioned in the paragraph headed "Share Placing" in this letter and/or as general working capital of the Group, and that the Disposals will further allow the Group to focus on the newly engaged business in property development upon SP Completion.

Having considered the declining performance of the garment business of the Group as indicated by the deteriorating gross profit margin analysed above, we concur with the Directors' view that the Disposals can free up financial resources for the property business upon SP Completion and is in the interests of the Company and the Shareholders as a whole.

C3. Consideration of the Disposals

The UR Consideration was arrived after arm's length negotiations between the Company and the UR Purchaser on normal commercial terms and calculated based on the net tangible asset value of the UR Disposal Group and the outstanding amount of the shareholder's loan owed by UR Group Limited to the Company on a dollar-to-dollar basis.

Subject to the terms and conditions of the UR Disposal Agreement, the Company shall, as legal and beneficial owner, sell and the UR Purchaser shall purchase the entire issued share capital of UR Group Limited and the outstanding amount of shareholder's loan in the sum of approximately HK$18.56 million owed by UR Group Limited to the Company on a dollar-to-dollar basis.

The Alfreda Consideration was arrived after arm's length negotiations between the Company and the Alfreda Purchaser on normal commercial terms and calculated based on the net tangible asset value of the Alfreda Disposal Group and the outstanding amount of the shareholder's loan owed by Alfreda Limited to the Company on a dollar-to-dollar basis.

Subject to the terms and conditions of the Alfreda Disposal Agreement, the Company shall, as legal and beneficial owner, sell and the Alfreda Purchaser shall purchase the entire issued share capital of Alfreda Limited and the shareholder's loan in the sum of approximately HK$16.8 million owed by Alfreda Limited to the Company.

Both the UR Consideration and the Alfreda Consideration were determined upon arm's length negotiations between the Group and the respective purchasers with reference to the net tangible asset values of the respective disposal companies and on normal commercial terms. Since both the P/E Ratio and P/B Ratio are commonly used business valuation methods, we concur with the Directors' view that it is fair and reasonable to reference the considerations to net tangible asset values of the disposal companies given that (i) Alfreda Disposal Group is in net loss; (ii) the financial performance of both disposal companies are either shrinking or persisted in recent financial years (i.e. the net profit after taxation of the UR Disposal Group reduced from HK$5,065,000 in 2015 to HK$1,612,000 in 2017 and the Alfreda Disposal Group has continued to record net losses for the past financial years), such that P/E Ratio or any other valuation methods based on earnings does not reflect the intrinsic values of both disposal companies given that (a) the decline of net profit after taxation of the UR Disposal will cause the underlying P/E Ratio to increase and the consideration has to be adjusted downward correspondingly in order to maintain the ratio within the industry range which might not reflect the underlying assets of the UR Disposal Group; and (b) the loss making situation of the Alfreda Disposal Group would yield a negative P/E Ratio which is not a fair indicator and normal practice; and (iii) majority of the assets of both disposal companies consist of current assets which are readily convertible into cash and cash equivalent.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, both UR Purchaser and Alfreda Purchaser are Independent Third Parties. Despite the fact that the disposal considerations were determined in year 2015, following our analysis on the valuation of the disposal companies as set out below, we are of the view that the disposal considerations are fair and reasonable to the Group. We also concur with the Directors' view that it is fair and reasonable for both the Group and the purchasers, following arm's length negotiations, to agree not to alter the disposal considerations since (i) both purchasers have been involving or had involved in the fashion industry and expressed their view that acquiring a fashion entity would create synergy effect to them as the brand names and the License of U-RIGHT Marks of the disposal companies, which already gained certain recognition and customer base within the PRC, will be assigned to them upon Completion of the Disposals such that the Alfreda Purchaser can leverage on her existing network and

business relationship amongst the local garment stores to procure stocks from the Alfreda Disposal Group which she believes that such collaboration will exert a positive effect in the future performance of the Alfreda Disposal Group and the UR Purchaser can expand his existing garment wholesale business into the oversea market for which the UR Disposal Group is currently engaging in (i.e. the Philippines and United Arab Emirates) and both of them are of the view that similar companies available for sales within their business network is rare and the potential costs, effort and time to develop their own fashion brand from the beginning are huge and might not be justifiable, and therefore they are willing to back off on the fluctuation in financial performance of the disposal companies since year 2015; and (ii) the considerations determined with reference to the net tangible asset values of the disposal companies are fair and reasonable to the Group as discussed above.

In assessing the fairness and reasonableness of the UR Consideration and Alfreda Consideration, we have attempted to compare the P/E Ratio and P/B Ratio as represented by the implied valuations of the 100% equity interest of the UR Group Limited and Alfreda Limited as represented by the respective considerations to the respective audited net profit after taxation for the year ended 31 March 2017 and to the respective audited net asset value as at 31 March 2017, with the P/E Ratio and P/B Ratio of other companies engaged in garment and apparel business similar to the Group. Companies are selected up to the Latest Practicable Date based on the following criteria: (i) of companies listed on the Stock Exchange; (ii) generate segment revenue from garment and apparel business with a significant portion from the PRC market (i.e. over 10% of revenue generated in the PRC), which is similar to the principal business of the Group; and (iii) with market capitalisation of less than HK$1,000 million which represents a similar size to that of the Group of approximately HK$978 million with reference to HK$0.74 per Share on the Last Trading Day. We have identified and made references to companies that meet the aforesaid criteria which are exhaustive (the "**Disposal Comparable**"). Given the small market capitalisation of UR Group Limited and Alfreda Limited, there are no comparable companies which are of similar size listed on the Stock Exchange. Disposal Comparable are selected with market capitalisation benchmarked against that of the Group where results of the Group were mainly contributed by garment and apparel

business for a material period of time. Accordingly, we consider that the Disposal Comparable is an exhaustive list that serves as a reasonable reference and are fair and representative samples for comparison. Details of our analyses are set out in the following table:

Company name (stock code)	Principal business activities	Market capitalization *Approximate (HK$'million)*	PRC contribution to total revenue for the latest financial year %	P/E Ratio *times*	P/B Ratio *times*
Moiselle International Holdings Ltd. (130)	Design, manufacture, retail and wholesale of fashion apparel and accessories	394	16	N/A	0.7
Miko International Holdings Ltd. (1247)	Design, manufacture and sales of children's apparel products	214	100	N/A	0.3
Joyce Boutique Holdings Ltd. (647)	Sales of designer fashion garments, cosmetics and accessories	455	14	N/A	0.9
Million Stars Holdings Ltd. (8093)	Manufacture and sale of private label leather garments for customers	768	13	N/A	12.8
Vestate Group Holdings Ltd. (1386)	Retailing of footwear in Hong Kong, China and Taiwan	859	78	N/A	3.9
China Outfitters Holdings Ltd. (1146)	Design, manufacturing, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear	930	100	18.1	0.5
			Average	18.1	3.2
			Maximum	18.1	12.8
			Minimum	18.1	0.3
UR Group Limited		37.94 *(Note 1)*		23.2 *(Note 2)*	1.1 *(Note 3)*
Alfreda Limited		5.56 *(Note 1)*		N/A *(Note 2)*	1.1 *(Note 3)*

Source: Annual reports of Disposal Comparable

Notes:

1. The figures represent implied valuations of UR Group Limited and Alfreda limited as represented by the respective equity component of the disposal considerations.

2. The P/E Ratio of UR Group Limited is calculated as dividing the implied valuation of UR Group Limited as represented by the equity component of UR Consideration of approximately HK$37.94 million by audited profit attributable to owners of the UR Group for the year ended 31 March 2017 amounting to HK$1,634,000. The P/E Ratio of Alfreda Limited is not calculated due to the loss incurred for the year ended 31 March 2017.

3. The P/B Ratio of UR Group Limited is calculated as dividing the implied valuation of UR Group Limited as represented by the equity component of UR Consideration of approximately HK$37.94 million by the audited net asset attributable to owners of the UR Group of HK$34,681,000 as at 31 March 2017. The P/B Ratio of Alfreda Limited is calculated as dividing the implied valuation of Alfreda Limited as represented by the equity component of Alfreda Consideration of approximately HK$5.56 million by the audited net asset of HK$4,838,000 as at 31 March 2017.

Only one disposal comparable company is priced at a P/E Ratio of 18.1 times. The P/E Ratio of UR Group Limited of 23.2 times is higher than the only reference of Disposal Comparable. The P/B Ratio of the Disposal Comparable ranged from a minimum of 0.3 times to a maximum of 12.8 times with an average of 3.2 times. If the only comparable company with a P/B Ratio of 12.8 times is excluded, the average P/B Ratio would be lowered to 1.3

times. Four out of six Disposal Comparable are priced at a P/B Ratio of below 1 time. The P/B Ratios of UR Group Limited and Alfreda Limited of 1.1 times are both within the range and slightly lower than average. In light of the fact that the financial performance of both disposal companies are either shrinking or persisted in recent financial years and the P/B Ratios of the UR Group Limited and Alfreda Limited are both within the range and higher than most of the Disposal Comparable, the valuation of equity interests in both UR Group Limited and Alfreda Limited are fair and reasonable.

Having considered that (i) the consideration of the Disposals were arrived after arm's length negotiations between the Company and the purchasers; (ii) the declining performance of the garment and apparel business of the Group as shown above; and (iii) the P/B Ratios of the UR Group Limited and Alfreda Limited are both within the range and higher than most of the Disposal Comparable indicating that the valuation of equity interests in both UR Group Limited and Alfreda Limited are in line with the market valuation, we are of the view that the UR Consideration and Alfreda Consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

D. Effects on the Company's shareholding structure

The following table illustrates the shareholding structure of the Company in the below scenarios:

Name of Shareholders	**(I) As at the Latest Practicable Date**		**(II) For illustrative purposes only, immediately after the issue of the Consideration Shares but before the issue of the Placing Shares and any conversion of the Convertible Bonds into Conversion Shares** *(Note 2)*		**(III) Immediately after the issue of the Consideration Shares and the Placing Shares but before any conversion of the Convertible Bonds into Convertible Shares** *(Note 3)*		**(IV) Immediately after the issue of the Consideration Shares and the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds (assuming the Convertible Bonds have been placed in full)** *(Note 4)*	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Advance Lead International Limited *(Note 5)*	970,000,000	73.39	970,000,000	12.54	—	—	—	—
The Vendor, its ultimate beneficial owner and the parties acting in concert with any of them	1,080,000	0.08	6,416,140,000	82.93	6,416,140,000	61.32	6,416,140,000	56.42
Public Shareholders								
Advance Lead International Limited *(Note 5)*	—	—	—	—	970,000,000	9.27	970,000,000	8.53
Share Placees	—	—	—	—	2,727,280,000	26.06	2,727,280,000	23.98
CB Placees	—	—	—	—	—	—	909,090,800	7.99
Other public Shareholders	350,602,525	26.53	350,602,525	4.53	350,602,525	3.35	350,602,525	3.08
Sub-total of public Shareholders	350,602,525	26.53	350,602,525	4.53	4,047,882,525	38.68	4,956,973,325	43.58
Total	1,321,682,525	100.00	7,736,742,525	100.00	10,464,022,525	100.00	11,373,113,325	100.00

Notes:

1. As at the Latest Practicable Date, none of the Director(s) is/are interested in any Shares.

2. For illustrative purposes only, immediately after the SP Completion (i.e. immediately after the issue of the Consideration Shares but before the issue of the Placing Shares and any conversion of the Convertible Bonds into Conversion Shares), the aggregate shareholding in the Company that the Vendor, its ultimate beneficial owner(s) and parties acting in concert with any of them will be interested in is approximately 82.93%.

3. Immediately after the SP Completion (i.e. immediately after the issue of the Consideration Shares and the Placing Shares but before any conversion of the Convertible Bonds into Conversion Shares), the aggregate shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 61.32%. Upon completion of the transfer of the 300,000,000 Granted Shares, representing approximately 2.90% of the issued share capital of the Company immediately after the issue of the Consideration Shares and the Placing Shares but before the conversion of the Convertible Bonds, to Xiangxun Limited (wholly owned by Mr. Pan and set up for the purpose of holding the Granted Shares on trust for the 36 individuals who are/were the members of the senior management of the Excluded Companies and Fujian Liujian Group), four of whom are parties acting in concert with Mr. Pan, which shall take place upon the expiry of the six months after the SP Completion, the shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 59.05%.

4. Immediately after the SP Completion (i.e. immediately after the issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds, the aggregate shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 56.42%. Upon completion of the transfer of the 300,000,000 Granted Shares, representing approximately 2.60% of the issued share capital of the Company immediately after the issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds (assuming the Convertible Bonds have been placed in full), to Xiangxun Limited (wholly owned by Mr. Pan and set up for the purpose of holding the Granted Shares on trust for the 36 Transferees, four of whom are parties acting in concert with Mr. Pan, who are/were the members of the senior management of the Excluded Companies and Fujian Liujian Group), which shall take place upon the expiry of the six months after the SP Completion, the shareholding in the Company that the Vendor, Mr. Pan and parties acting in concert with any of them will be interested in is approximately 54.33%.

   It is expected that the holders of the Convertible Bonds may not exercise the conversion rights as to such number of Convertible Bonds the conversion of which would (a) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it (as defined in the Takeovers Code) or (b) cause the Company to be unable to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

5. These Shares are beneficially owned by Advance Lead International Limited. Advance Lead International Limited is owned by (i) Sino Classic Global Limited as to 30% in which Ms. Au Tsui Yee, Maggie is the sole beneficial owner; (ii) Great Novel Limited as to 30% in which Mr. Chau Kai Man is the sole beneficial owner; and (iii) Easy Advance Investments Limited as to 40%, which is a wholly-owned subsidiary of Advance Shine Holdings Limited. Mr. Chau Pak Chuen is the sole beneficial owner of Advance Shine Holdings Limited. Advance Lead International Limited and its beneficial owners does not have any relationship with the Vendor, the current Directors and connected persons and the core connected persons after the completion of the Acquisition and the proposed change of Directors (the "**Core Member(s)**").

   Furthermore, each of the shareholders of Advance Lead International Limited confirmed that (i) their acquisition of securities has not been financed directly or indirectly by a Core Member; and (ii) each of them is not accustomed to take instructions from a Core Member in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in their name or otherwise held by them under Rule 8.24 of the Listing Rules.

As shown in the above table, after the Completion, there will be a dilution in the shareholding interests of the Independent Shareholders from approximately 26.53% to 3.08%.

Although the dilution effect itself is not favourable to the Independent Shareholders, Independent Shareholders should note that the Company will benefit from the Acquisition having considered (i) the stable positive financial performance of the Target as compared to the recent declining financial performance of the Group; (ii) the reasons of the Acquisition as set out in the paragraph headed ''Reasons for the Acquisition'' in this letter; (iii) the terms of the Acquisition and the Consideration Shares which are considered as fair and reasonable; (iv) the positive financial effects of the Acquisition as discussed under the paragraph headed ''Possible financial effects of the Acquisition, the Share Placing and CB Placing and the Disposals'' in this letter, we are of the view that the aforesaid dilution of shareholdings of the Independent Shareholders is acceptable.

E. Whitewash Waiver

As set out in the section headed ''Letter from the Board — III. Implications of the Acquisition under the Takeovers Code and application for Whitewash Waiver'' in this circular, immediately following the allotment and issue of the Consideration Shares and the Placing Shares, the shareholding of the Vendor, its ultimate beneficial owner and parties acting in concert with any of them will increase to approximately 61.32% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares. Under Rule 26.1 of the Takeovers Code, the Vendor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

An application will therefore be made by the Vendor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolution shall be taken by poll; (ii) the Vendor and parties acting in concert with it not having acquired any voting rights of the Company in the six months prior to the date of this circular but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the SP Agreement; and (iii) the Vendor and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company between the date of this circular and SP Completion unless with the prior consent of the Executive.

Should the Vendor and parties acting in concert with it hold more than 50% of the enlarged issued share capital of the Company upon SP Completion, the Vendor may increase its shareholding in the Company further without triggering any further general offer obligation under the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent to the SP Completion that the Whitewash Waiver has been obtained. The granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Acquisition, and in the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the SP Agreement and the transactions contemplated thereunder will not become unconditional and the Acquisition will not proceed.

Having considered that (i) the granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Acquisition; (ii) the Acquisition is beneficial to the Company as discussed in this letter; and (iii) the terms of the SP Agreement are considered fair and reasonable as discussed in this letter, we are of the view that the Whitewash Waiver is fair and reasonable, and in the interests of the Company and the Shareholders as whole.

F. Possible financial effects of the Acquisition, the Share Placing and CB Placing and the Disposals

Upon Completion, the Target Company will be a directly wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Group thereafter and both UR Group Limited and Alfreda Limited will cease to be the Company's subsidiaries and the Company will cease to have any interests in any of them.

(i) Effect on earnings

As set out in the "Unaudited pro forma financial information of the Restructured Group" in the Appendix V to this circular, assuming the Transactions had been completed on 1 April 2016, the loss for the year attributable to owners of the Company would increase from approximately HK$4.3 million to HK$244.0 million which is mainly attributable to (i) the adjustment of the estimated unaudited loss/profit and the elimination of the results of UR Disposal Group and Alfreda Disposal, assuming the UR Disposal and the Alfreda Disposal had taken place on 1 April 2016; (ii) the adjustment of the finance cost of interest on the CB Placing of approximately HK$18.3 million, assuming the CB Placing had taken place on 1 April 2016; and (iii) the adjustment of the expenditures incurred directly in the Acquisition of approximately HK$23.9 million and the impairment of goodwill amounting to approximately HK$277.2 million.

(ii) Effect on net assets value

As set out in the "Unaudited pro forma financial information of the Restructured Group" in the Appendix V to this circular, assuming the Transactions had been completed on 31 March 2017, the total equity will be improved from approximately HK$119.8 million before the Transactions to approximately HK$1,374.3 million after the Transactions. The improvement in net asset value is principally due to the issuance of Consideration Shares and the Placing Shares pursuant to which the capital base of the Restructured Group is to be enlarged. Based on the above, the Directors expect that the net asset position of the Restructured Group will be enhanced upon Completion.

(iii) Effect on liquidity position

As set out in the "Unaudited pro forma financial information of the Restructured Group" in the Appendix V to this circular, the net current assets of the Group will be increased from approximately HK$109.7 million before the Transactions to approximately HK$2,686.4 million after the Transactions. The liquidity of the Restructured Group is hence expected to be improved upon Completion.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to represent the financial position of the Restructured Group upon Completion.

G. The exempt continuing connected transaction

Upon SP Completion, it is expected that the Trademark Licence Agreement and Leasing Agreement would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the terms of the Trademark Licence Agreement and Leasing Agreement, the transactions contemplated thereunder will constitute de minimis continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(a) of the Listing Rules.

Nevertheless, given that both aforementioned continuing connected transactions would last for more than three years, we, as the Independent Financial Adviser, are appointed to advise on the fairness and reasonableness of the duration of the continuing connected transactions in accordance with the requirement of Chapter 14A.52 of the Listing Rules.

Trademark Licence Agreement

Fujian Fusheng Group is the registered owner of certain trademarks bearing"福晟" and "錢隆" brands. The property projects developed or operated by Hunan Fullsun Group as well as certain other property development projects owned by the Hunan Fullsun Group, are currently and will continue to be developed and marketed under the "福晟" and the "錢隆" brands.

On 26 March 2015, Fujian Fusheng Group and Hunan Fullsun Group entered into the Trademark Licence Agreement pursuant to which Fujian Fusheng Group granted licences to Hunan Fullsun Group to use certain trademarks bearing the "福晟" and "錢隆" brands on a royalty-free basis from the date of the Trademark Licence Agreement until the respective expiry date of the such trademarks. The Sponsor and the Directors are each of the view that entering into the Trademark Licence Agreement for a period longer than three years promotes stability in operations and is beneficial to the Shareholders and believe that fixing the term of the Trademark Licence Agreement with reference to the respective expected expiry date of the trademarks for a period longer than three years would be considered to be in line with the normal business practices in the property development industry in the PRC. The Trademark Licence Agreement may be terminated by mutual agreement between the parties in writing before the intended date of termination. Please refer to the section headed "B. Further information about the Restructured Group — 6. Intellectual property rights of the Restructured Group — (b) Intellectual property rights of the Target Group — Trademarks licensed by Fujian Fusheng Group" in the "Statutory and general information" in Appendix IX to this circular for further details of the trademarks licensed by Fujian Fusheng Group to the Restructured Group pursuant to the Trademark Licence Agreement.

Fujian Fusheng Group is owned indirectly as to 90% by Mr. Pan, one of the controlling shareholders upon SP Completion, therefore it will be a connected person of the Company after the SP Completion by way of being an associate of Mr. Pan. Accordingly, the transactions under the Trademark Licence Agreement will constitute continuing connected transactions of the Company after the SP Completion.

After reviewing the terms of the Trademark Licence Agreement, having considered that (i) the use of trademarks until the respective expiry date could ensure the continuous development and marketing of the property projects under the same brands without disruption; and (ii) the Company would incur nil consideration for the use of trademarks, we are of the view that entering into the Trademark Licence Agreement with reference to the respective expected expiry date of the trademarks for a period longer than three years is in the interest of the Shareholders and the Company as a whole.

Leasing Agreement

On 13 May 2015, Fujian Men Cheung entered into an agreement with Fuzhou Fullsun Group (the "**Leasing Agreement**"), pursuant to which the parties agreed to terminate the previous leasing arrangement in relation to the property located at 1st Floor, Block No. 5, Yi Jin Hua Ting, 19 Yang Qiao East Road, Gu Lou District, Fuzhou, PRC and Fujian Men Cheung has agreed to lease a portion of such property to Fuzhou Fullsun Group on a rent-free basis for a perpetual term. The Sponsor and the Directors are each of the view that the entering into of the Leasing Agreement for a period longer than three years promotes stability in operations of Fuzhou Fullsun Group, and hence, is beneficial to the Shareholders. The information about the leased property under the Leasing Agreement is as follows:

Premises:	A portion of 1st Floor, Block No. 5, Yi Jin Hua Ting, 19 Yang Qiao East Road, Gu Lou District, Fuzhou, PRC
Leased Area:	20 sq.m.
Usage:	Office premises

Fujian Men Cheung is owned indirectly as to 85% by Mr. Pan, one of the controlling shareholders upon SP Completion, therefore it will be a connected person of the Company after the SP Completion by way of being an associate of Mr. Pan. Accordingly, the transactions under the Leasing Agreement will constitute continuing connected transactions of the Company after the SP Completion.

After reviewing the terms of the Leasing Agreement, having considered that (i) Fuzhou Fullsun Group would continue its operation in the above-mentioned property as before; and (ii) the Company would incur nil consideration for the use of property, we are of the view that the Lease Agreement on a rent-free basis for a perpetual term is in the interest of the Shareholder and the Company as a whole.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the entering into of the SP Agreement; and the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the SP Agreement and the Acquisition, the Whitewash Waiver, the Share Placing, the Disposals and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Erica Law
Director

Note: Ms. Erica Law is a licensed person registered with the SFC and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 5 years of experience in corporate finance industry.

1. BUSINESS DEVELOPMENT

The history of the Target Group can be traced back to 2006 when the Target Group started launching its first real property project namely, Qianlong Fine Art, in Changsha by Hunan Weilong. 24.43% equity interest in Hunan Weilong was attributable to Mr. Pan, through Qianlong Investment, upon its establishment on 13 November 2006 and Mr. Pan is one of the founders of Hunan Weilong. Mr. Pan funded Hunan Weilong by using the profits generated from certain Excluded Companies. Qianlong Fine Art is a mid-range residential and commercial project located at the intersection of Furong Road and South 2nd Ring Road in Tianxin District in Changsha, which is the central district of Changsha with comprehensive infrastructure, transportation, education and medical facilities.

The Target Group commenced development of Qianlong Academy in December 2009. Qianlong Academy is a mid-range residential project located at the intersection of Shuyuan Nan Road and Xinshao Road in Tianxin District at the South City in Changsha, where it is just 200 meters away from the new provincial government building and next to the east coast of Xiang River.

In December 2010, the Target Group launched its third project namely, Qianlong Royal Family, by Hunan Fullsun which commenced development in April 2012 subsequently. Qianlong Royal Family is a mid-range residential complex located in Kaifu District in Changsha, where it is adjacent to Xiufengshan Park and Eryangshan Park.

In 2011, the Target Group acquired the whole equity interest in Hunan Zhonglv through various equity transfer transactions to develop its Qianlong Premier Mansion project. Please refer to the paragraph headed "Corporate Development — 2.9 Hunan Zhonglv" in this section for details. Qianlong Premier Mansion is a mid-range residential project located in Tianxin District in Changsha, facing one of the city landmarks, Helong Sports Centre.

In 2013, the Target Group successfully bid two land parcels. These land parcels are held for future development of its Qianlong International and Fullsun International Financial Centre projects by Hunan Shengran and Hunan Longxiang, respectively. Qianlong International is positioned as a residential and commercial property located in Kaifu District in Changsha and it is adjacent to the Qianlong Royal Family project. These two projects together are envisaged to become a large-scale living community with facilities for residence, business, office, hotel, vacation and shopping. Fullsun International Financial Centre is positioned as a commercial property located in Binjiang New Town of Yuelu District in Changsha, where it is designed and expected to be the new business district of Changsha.

The following is a summary of the key milestones in the development of the Target Group's property development projects:

Year	Milestone
2006	Hunan Weilong was established in the PRC on 13 November 2006. Subsequently, Hunan Weilong acquired land parcel located at the intersection of Furong Zhong Road and South 2nd Ring Road, Tianxin District in Changsha, which is the central district of Changsha with comprehensive infrastructure, transportation, education and medical facilities to develop Qianlong Fine Art project
2008	Hunan Fullsun Group was established in the PRC on 18 June 2008
2009	Hunan Weilong acquired land parcel located at the intersection of Shuyuan Nan Road and Xinshao Road in Tianxin District, where it is just 200 meters away from the new provincial government building in Changsha to develop Qianlong Academy project
2010	Hunan Fullsun acquired land parcels located in Kaifu District in Changsha to launch its Qianlong Royal Family project
2011	Target Group acquired the whole equity interest in Hunan Zhonglv through various equity transfer transactions to develop Qianlong Premier Mansion project which is located in Tianxin District in Changsha
2013	Hunan Shengran acquired land parcel located in Kaifu District in Changsha to develop Qianlong International project
2013	Hunan Longxiang acquired land parcel located in Binjiang New Town of Yuelu District in Changsha to develop Fullsun International Financial Centre project

2. CORPORATE DEVELOPMENT

2.1 Target Company

The Target Company was incorporated in the BVI on 29 October 2014 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. It is an investment holding company.

On 12 December 2014, 50,000 shares of the Target Company were allotted and issued, credited as fully-paid, by the Target Company to the Vendor. As a result, the Target Company is wholly-owned by the Vendor.

On 14 April 2015, the Vendor and the Company entered into the SP Agreement, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Shareholders' Loan for the consideration of HK$1,511,313,200. Upon SP Completion, the Target Company will be wholly-owned by the Company.

2.2 Fuzhou Fullsun Group

Fuzhou Fullsun Group was established in the PRC on 12 June 2001 as a wholly-foreign owned enterprise with an initial registered capital of US$61,000. At the time of its establishment, Fuzhou Fullsun Group was owned as to 100% by Prospering Assets Ltd. (隆華置業有限公司) ("**Prospering**"). Given that Mr. Pan used to be based in Fuzhou, Fuzhou Fullsun Group was initially adopted as an intermediate holding company within the Target Group. Fuzhou Fullsun Group is principally engaged in investment holding business and it has no other business operation apart from investment holding. There is no PRC law prohibiting a Fuzhou company acting as the holding vehicle of other companies in the Target Group operating/established in Hunan Province. As confirmed by the proposed Directors, Fuzhou Fullsun Group would not directly be engaged in property development business either in Fuzhou or in Hunan Province other than being holding company in the Target Group operating in Hunan Province.

Prospering was incorporated in the BVI with limited liability. Pursuant to an agreement and a declaration of trust dated 31 March 2003, 10,000 shares of Prospering registered in the name of Ng Kin Fai (吳建輝), representing the entire issued share capital, were held on trust for Mr. Pan. On 1 February 2013, Ng Kin Fai transferred the entire issued share capital of Prospering to Ko Jin Heng (柯君恒). Pursuant to an agreement and a declaration of trust both dated 1 February 2013, the entire issued share capital of Prospering was held by Ko Jin Heng on trust for Mr. Pan. Ko Jin Heng subsequently transferred 85% of the issued share capital of Prospering to Mr. Pan. The remaining 15% of the issued share capital of Prospering was subsequently transferred by Ko Jin Heng to CHS Investments Limited, a limited liability company incorporated in the BVI and was wholly owned by Ng Kin Fai. Pursuant to an agreement and a declaration of trust both dated 10 July 2014, the entire issued share capital of CHS Investments Limited is held by Ng Kin Fai on trust for Mr. Pan. As a result, Prospering is beneficially owned as to 100% by Mr. Pan.

Pursuant to an equity transfer agreement dated 26 December 2014, Prospering transferred its entire equity interest in Fuzhou Fullsun Group to the Target Company for a consideration of US$61,000 which was determined with reference to the paid-up registered capital of Fuzhou Fullsun Group at the time of transfer. Such equity transfer was properly and legally completed and settled on 26 January 2015.

On 27 February 2015, the registered capital of Fuzhou Fullsun Group was increased from US$61,000 to US$50,000,000 and the additional registered capital will be contributed in cash by the Target Company by installments by no later than 11 June 2021.

On 28 May 2015, the total amount of the registered capital of Fuzhou Fullsun Group was fully paid up by the Target Company.

2.3 Fujian Fullsun Men Cheung

Fujian Fullsun Men Cheung was established in the PRC on 15 April 2015 as a limited liability company with a registered capital of RMB50,000,000. At the time of its establishment, Fujian Fullsun Men Cheung was owned as to 100% by Fuzhou Fullsun Group. It is principally engaged in investment, property management and real estate development.

2.4 Fujian Fullsun Investment

Fujian Fullsun Investment was established in the PRC on 15 April 2015 as a limited liability company with a registered capital of RMB50,000,000. At the time of its establishment, Fujian Fullsun Investment was owned as to 100% by Fuzhou Fullsun Group. It is principally engaged in investment, property management and real estate development.

2.5 Hunan Fullsun Group

Hunan Fullsun Group was established in the PRC on 18 June 2008 as a limited liability company with an initial registered capital of RMB10,000,000. At the time of its establishment, Hunan Fullsun Group was owned as to 70% by Fujian Fusheng Group and 30% by Fujian Qianlong. It is principally engaged in equity investment.

Pursuant to a trust agreement dated 13 June 2008 entered into between Mr. Pan and Fujian Qianlong due to commercial reasons, Mr. Pan entrusted Fujian Qianlong to hold the 30% equity interest in Hunan Fullsun Group by making use of funds provided by him. Hence, Mr. Pan was beneficially interested in 30% equity interest in Hunan Fullsun Group. As confirmed by Mr. Pan, the source of funding from him to establish Hunan Fullsun Group came from the profits accumulated from other projects through certain Excluded Companies. As advised by the PRC Legal Advisers, such trust arrangement did not violate the applicable PRC laws and administrative regulations.

On 30 July 2009, the registered capital of Hunan Fullsun Group was increased from RMB10,000,000 to RMB31,000,000, with Fujian Fusheng Group contributing RMB21,000,000 in cash. Upon completion of the capital injection, Hunan Fullsun Group was owned as to 90.32% by Fujian Fusheng Group and 9.68% by Fujian Qianlong.

On 4 August 2009, the registered capital of Hunan Fullsun Group was increased from RMB31,000,000 to RMB40,000,000, with Fujian Qianlong contributing RMB9,000,000 in cash on behalf of Mr. Pan. Upon completion of the capital injection, Hunan Fullsun Group was owned as to 70% by Fujian Fusheng Group and 30% by Fujian Qianlong on behalf of Mr. Pan.

On 24 August 2009, the registered capital of Hunan Fullsun Group was further increased from RMB40,000,000 to RMB100,000,000 (the additional registered capital of RMB60,000,000 had been subscribed by Fujian Fusheng Group). With Fujian Fusheng Group contributed RMB20,000,000, the paid-up registered capital of Hunan Fullsun Group was increased to RMB60,000,000 as at 19 August 2009. Upon completion of the capital injection, Hunan Fullsun Group was owned as to 88% by Fujian Fusheng Group and 12% by Fujian Qianlong.

On 12 September 2010, Fujian Fusheng Group and Fujian Qianlong entered into an equity transfer agreement, pursuant to which Fujian Fusheng Group agreed to transfer its 8% equity interest in Hunan Fullsun Group to Fujian Qianlong at nil consideration and Fujian Qianlong agreed to take up part of the payment obligations of Fujian Fusheng Group to pay up RMB8,000,000, being part of the unpaid registered capital. Such equity transfer was properly and legally completed and settled on 17 September 2010. On 7 September 2010, RMB32,000,000 and RMB8,000,000 of the unpaid registered capital was contributed by Fujian Fusheng Group and Fujian Qianlong, respectively. As a result, Hunan Fullsun Group was owned as to 80% by Fujian Fusheng Group and 20% by Fujian Qianlong.

On 11 July 2011, the registered capital of Hunan Fullsun Group was increased from RMB100,000,000 to RMB345,000,000 with Fujian Fusheng Group contributing RMB245,000,000 in cash. Upon completion of the capital injection, Hunan Fullsun Group was owned as to 94.2% by Fujian Fusheng Group and 5.8% by Qianlong Investment.

On 12 October 2012, the registered capital of Hunan Fullsun Group was increased from RMB345,000,000 to RMB445,000,000. The additional registered capital of RMB100,000,000 was contributed in cash by Fujian Fusheng Group. Upon completion of the capital injection, Hunan Fullsun Group was owned as to 95.51% by Fujian Fusheng Group and 4.49% by Qianlong Investment.

As part of the restructuring steps for the purpose of the Acquisition, on 31 December 2014, Fuzhou Fullsun Group and Fujian Fusheng Group entered into an equity transfer agreement, pursuant to which, Fujian Fusheng Group transferred its 95.51% equity interest in Hunan Fullsun Group to Fuzhou Fullsun Group at a consideration of RMB426,347,700 which was determined with reference to the valuation of the equity interest in Fuzhou Fullsun Group at the time of transfer. Such equity transfer was properly and legally completed and settled on 4 February 2015. Upon completion of such equity transfer, Hunan Fullsun Group was owned as to 95.51% by Fuzhou Fullsun Group and 4.49% by Qianlong Investment.

On 10 March 2015, Fuzhou Fullsun Group and Qianlong Investment entered into an equity transfer agreement, pursuant to which, Qianlong Investment transferred its 4.49% equity interest in Hunan Fullsun Group to Fuzhou Fullsun Group at a consideration of RMB20,089,700 which was determined with reference to the valuation of the equity at the time of transfer. Such equity transfer was properly and legally completed and settled on 1 June 2015. Upon completion of such equity transfer, Hunan Fullsun Group was owned as to 100% by Fuzhou Fullsun Group.

2.6 Hunan Longxiang

Hunan Longxiang was established in the PRC on 23 August 2013 as a limited liability company with an initial registered capital of RMB30,000,000. It is principally engaged in the development and sale of real properties. At the time of its establishment, Hunan Longxiang was owned as to 100% by Hunan Fullsun Group.

Pursuant to the trust financing arrangement, on 23 January 2014, the shareholders of Hunan Longxiang passed a resolution to increase the registered capital of Hunan Longxiang from RMB30,000,000 to RMB59,000,000 with Sichuan Trust contributing RMB29,000,000. On

18 February 2014, the registered capital of Hunan Longxiang was increased from RMB30,000,000 to RMB59,000,000 with Sichuan Trust contributing RMB29,000,000 in cash. Upon completion of the capital injection, Hunan Longxiang was owned as to 50.85% by Hunan Fullsun Group and 49.15% by Sichuan Trust. Hunan Fullsun Group pledged its 50.85% equity interest in Hunan Longxiang in favour of Sichuan Trust as securities for its performance of the obligations under the trust financing arrangement. Such pledge was released on 21 April 2016. Please refer to the section headed ''Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation'' in this circular for detailed information about the trust financing arrangement.

On 19 April 2016, Hunan Fullsun Group and Sichuan Trust entered into an equity transfer agreement, pursuant to which Sichuan Trust transferred its 49.15% equity interest in Hunan Longxiang to Hunan Fullsun Group at a consideration of RMB29,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed on 21 April 2016. Upon completion of such equity transfer, Hunan Longxiang was owned as to 100% by Hunan Fullsun Group. Hunan Fullsun Group pledged its 100% equity interest in Hunan Longxiang to 蕪湖滙德叁號投資中心(有限合夥) (Wuhu Huide No. 3 Investment Centre LLP*) (''**Wuhu Huide**'') pursuant to a share pledge agreement dated 27 April 2016 entered into between Hunan Fullsun Group and Wuhu Huide.

2.7 Hunan Fullsun

Hunan Fullsun was established in the PRC on 5 November 2009 as a limited liability company. It is principally engaged in development and sale of real properties. The initial registered capital of Hunan Fullsun was RMB10,000,000, of which RMB7,000,000 and RMB3,000,000 was subscribed by Hunan Fullsun Group and Fujian Fusheng Group, respectively. On 22 October 2010, the total amount of the registered capital of Hunan Fullsun was fully paid-up.

On 21 March 2011, the shareholders of Hunan Fullsun passed a resolution to increase the registered capital of Hunan Fullsun from RMB10,000,000 to RMB200,000,000 and to increase the paid-up registered capital from RMB10,000,000 to RMB189,030,000. The additional paid-up registered capital shall be settled by way of conversion of the increased capital reserve, which was contributed by the new shareholders, namely 廣州築就建材有限公司 (Guangzhou Zhujiu Construction Co., Ltd.*) (''**Guangzhou Zhujiu**''), 廣州大基建材有限公司(Guangzhou Daji Construction Co., Ltd.*) (''**Guangzhou Daji**''), 廣州永定隆建材有限公司(Guangzhou Yongdinglong Construction Co., Ltd.*) (''**Yongdinglong**''), 廣州廣隆建材有限公司 (Guangzhou Guanglong Construction Co., Ltd.*) (''**Guangzhou Guanglong**''), 漳州福晟房地產開發有限公司 (Zhangzhou Fusheng Real Estate Development Co., Ltd.*) (''**Zhangzhou Fusheng**''), 四川晟通建材有限公司 (Sichuan Shengtong Construction Co., Ltd.*) (''**Sichuan Shengtong**'') in October and November 2010. As a result, Hunan Fullsun was owned as to 8.98% by Hunan Fullsun Group, 1.5% by Fujian Fusheng Group, 18.4% by Guangzhou Zhujiu, 21.22% by Guangzhou Daji, 17.5% by Yongdinglong, 19.9% by Guangzhou Guanglong, 5% by Zhangzhou Fusheng and 7.5% by Sichuan Shengtong.

On 6 April 2011, each of Guangzhou Zhujiu, Guangzhou Daji, Yongdinglong, Guanzhou Guanglong, Zhangzhou Fusheng, Sichuan Shengtong entered into an equity transfer agreement with Hunan Fullsun Group, pursuant to which Guangzhou Zhujiu, Guangzhou Daji, Yongdinglong, Guangzhou Guanglong, Zhangzhou Fusheng, Sichuan Shengtong transferred their respective equity interests in Hunan Fullsun to Hunan Fullsun Group at the consideration determined with reference to their respective actual capital contributions to Hunan Fullsun. Such equity transfers were properly and legally completed and settled on 14 April 2011. On 7 April 2011, Hunan Fullsun Group paid up the remaining unpaid registered capital of RMB10,970,000. As a result, Hunan Fullsun was owned as to 98.5% by Hunan Fullsun Group and 1.5% by Fujian Fusheng Group.

On 18 May 2011, Hunan Fullsun Group and 天津穩實股權投資基金合夥企業(有限合夥) (Tianjin Wenshi Investment Fund LLP.*) ("**Wenshi Investment**") entered into an equity transfer agreement, pursuant to which, Hunan Fullsun Group transferred its 98.5% equity interest in Hunan Fullsun to Wenshi Investment at a consideration of RMB197,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Fujian Fusheng Group entered into an equity transfer agreement with each of Wenshi Investment and 穩盛(天津)投資管理有限公司 (Wensheng (Tianjin) Investment Management Co., Ltd.*) ("**Wensheng Investment**"), pursuant to which, Fujian Fusheng Group transferred its 0.5% and 1% equity interest in Hunan Fullsun to Wenshi Investment and Wensheng Investment, at a consideration of RMB1,000,000 and RMB2,000,000, respectively, which was determined with reference to the paid-up registered capital at the time of the transfers. Such equity transfers were properly and legally completed and settled on 25 May 2011. Upon completion of such equity transfers, Hunan Fullsun was owned as to 99% by Wenshi Investment and 1% by Wensheng Investment.

On 2 June 2011, the registered capital of Hunan Fullsun was increased from RMB200,000,000 to RMB400,806,500, with Wenshi Investment contributing RMB200,806,500 in cash. Upon completion of the capital injection, Hunan Fullsun was owned as to 99.501% by Wenshi Investment and 0.499% by Wensheng Investment.

On 10 May 2013, Wenshi Investment and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which, Wenshi Investment transferred its 99.2515% equity interest in Hunan Fullsun to Hunan Fullsun Group at a consideration of RMB468,671,173 which was determined with reference to the formula as set out in the investment framework agreement entered into among Wenshi Investment, Hunan Fullsun Group, Fujian Fusheng Group, Hunan Fullsun and Mr. Pan in May 2011. On the same day, Wenshi Investment and Fujian Fusheng Group entered into an equity transfer agreement, pursuant to which, Wenshi Investment transferred its 0.2495% equity interest in Hunan Fullsun to Fujian Fusheng Group at a consideration of RMB1,178,139 which was determined with reference to the formula as set out in the investment framework agreement entered into among Wenshi Investment, Hunan Fullsun Group, Fujian Fusheng Group, Hunan Fullsun and Mr. Pan in May 2011. On the same day, Wensheng Investment and Fujian Fusheng Group entered into an equity transfer agreement, pursuant to which, Wensheng Investment transferred its 0.499% equity interest in Hunan Fullsun to Fujian Fusheng Group at a consideration of RMB2,356,277 which was determined with reference to the formula as set out in the investment framework agreement entered into among Wenshi Investment, Hunan Fullsun Group, Fujian Fusheng Group, Hunan

Fullsun and Mr. Pan in May 2011. Such equity transfers were properly and legally completed and settled on 11 July 2013. Upon completion of such equity transfers, Hunan Fullsun was owned as to 99.2515% by Hunan Fullsun Group and 0.7485% by Fujian Fusheng Group.

Pursuant to the financing arrangement, on 30 November 2014, Fujian Fusheng Group and Zhuhai Oriental entered into an equity transfer agreement, pursuant to which Fujian Fusheng Group transferred its 0.7485% equity interest in Hunan Fullsun to Zhuhai Oriental at a consideration of RMB3,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Hunan Fullsun Group and Zhuhai Oriental entered into an equity transfer agreement, pursuant to which Hunan Fullsun Group transferred its 48.2515% equity interest in Hunan Fullsun to Zhuhai Oriental at a consideration of RMB193,395,185 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfers were properly and legally completed and settled on 26 December 2014. Upon completion of such equity transfers, Hunan Fullsun was owned as to 51% by Hunan Fullsun Group and 49% by Zhuhai Oriental. Hunan Fullsun Group pledged its entire equity interest in Hunan Fullsun in favour of the entrusted bank as security for its performance of the obligations under the financing arrangement. Such pledge was released on 19 December 2016. On 15 December 2016, Hunan Fullsun Group and Zhuhai Oriental entered into an equity transfer agreement, pursuant to which Zhuhai Oriental transferred its 49% equity interest in Hunan Fullsun back to Hunan Fullsun Group at a consideration of RMB196,395,185, which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed on 19 December 2016. Upon completion of such equity transfer, Hunan Fullsun was wholly owned by Hunan Fullsun Group.

Pursuant to a new financing arrangement with Daye Trust, on 21 December 2016, Hunan Fullsun Group and Daye Trust entered into an equity transfer agreement, pursuant to which Hunan Fullsun Group transferred its 49% equity interest in Hunan Fullsun to Daye Trust at a consideration of RMB196,395,185 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 21 December 2016. Upon completion of such equity transfer, Hunan Fullsun was owned as to 51% by Hunan Fullsun Group and 49% by Daye Trust. Hunan Fullsun Group pledged its entire equity interest in Hunan Fullsun in favour of Daye Trust as security for the performance of the obligations by Hunan Fullsun under the financing arrangement with Daye Trust. Please refer to the section headed ''Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation'' in this circular for detailed information about the financing arrangement.

2.8 Hunan Weilong

Hunan Weilong was established in the PRC on 13 November 2006 as a limited liability company. It is principally engaged in development of real properties. The initial registered capital of Hunan Weilong was RMB10,000,000, which was equally contributed by 廣州雍晟房地產開發有限公司 (Guangzhou Yongsheng Real Estate Development Co., Ltd.*) (''**Guangzhou Yongsheng**'') and Qianlong Investment. By then, Qianlong Investment was ultimately beneficially owned as to 2.28% by Chen Weihong, as to 48.86% by Mr. Pan and as

to 48.86% by Pan Chaowen, who is Mr. Pan's brother. Guangzhou Yongsheng was owned as to 70% by Pan Wenfei (潘文斐) and 30% by Pan Chunxiao (潘春曉), both of them are Mr. Pan's cousin.

On 2 April 2007, the registered capital of Hunan Weilong was increased from RMB10,000,000 to RMB50,000,000 with Qianlong Investment contributing RMB40,000,000 in cash. Upon completion of the capital injection, Hunan Weilong was owned as to 10% by Guangzhou Yongsheng and 90% by Qianlong Investment.

On 11 April 2007, the registered capital of Hunan Weilong was increased from RMB50,000,000 to RMB90,000,000 with Guangzhou Yongsheng contributing RMB40,000,000 in cash. Upon completion of the capital injection, Hunan Weilong was owned as to 50% by Guangzhou Yongsheng and 50% by Qianlong Investment.

On 18 December 2007, Guangzhou Yongsheng and Qianlong Investment entered into an equity transfer agreement, pursuant to which, Guangzhou Yongsheng transferred its 50% equity interest in Hunan Weilong to Qianlong Investment at a consideration of RMB45,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Qianlong Investment and Mr. Pan entered into an equity transfer agreement, pursuant to which Qianlong Investment transferred its 10% equity interest in Hunan Weilong to Mr. Pan at a consideration of RMB9,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfers were properly and legally completed and settled on 3 January 2008. Upon completion of such equity transfers, Hunan Weilong was owned as to 10% by Mr. Pan and 90% by Qianlong Investment.

On 15 May 2008, the registered capital of Hunan Weilong was increased from RMB90,000,000 to RMB180,000,000 with Qianlong Investment contributing RMB90,000,000 in cash. Upon completion of the capital injection, Hunan Weilong was owned as to 5% by Mr. Pan and 95% by Qianlong Investment.

On 23 May 2008, the registered capital of Hunan Weilong was further increased from RMB180,000,000 to RMB250,000,000 with Qianlong Investment contributing additional RMB70,000,000 in cash. Upon completion of the capital injection, Hunan Weilong was owned as to 3.6% by Mr. Pan and 96.4% by Qianlong Investment.

On 10 June 2008, the registered capital of Hunan Weilong was increased from RMB250,000,000 to RMB400,000,000 with Guangzhou Yongsheng contributing RMB150,000,000 in cash. Upon completion of the capital injection, Hunan Weilong was owned as to 2.25% by Mr. Pan, 60.25% by Qianlong Investment and 37.5% by Guangzhou Yongsheng.

On 14 May 2009, Guangzhou Yongsheng and Qianlong Investment entered into an equity transfer agreement, pursuant to which Guangzhou Yongsheng transferred its 37.5% equity interest in Hunan Weilong to Qianlong Investment at a consideration of RMB150,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 19 May 2009. Upon completion of such equity transfer, Hunan Weilong was owned as to 2.25% by Mr. Pan and 97.75% by Qianlong Investment.

On 20 January 2010, Qianlong Investment and Fujian Fusheng Group entered into an equity transfer agreement, pursuant to which Qianlong Investment transferred its 97.75% equity interest in Hunan Weilong to Fujian Fusheng Group at a consideration of RMB391,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Mr. Pan and Fujian Fusheng Group entered into an equity transfer agreement, pursuant to which, Mr. Pan transferred his 2.25% equity interest in Hunan Weilong to Fujian Fusheng Group at a consideration of RMB9,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfers were properly and legally completed and settled on 27 January 2010. Upon completion of such equity transfers, Hunan Weilong was owned as to 100% by Fujian Fusheng Group.

On 20 May 2011, Fujian Fusheng Group and Zhongrong Trust entered into an equity transfer agreement, pursuant to which, Fujian Fusheng Group transferred its 95% equity interest in Hunan Weilong to Zhongrong Trust at a consideration of RMB380,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 26 May 2011. Upon completion of such equity transfer, Hunan Weilong was owned as to 5% by Fujian Fusheng Group and 95% by Zhongrong Trust.

On 8 May 2013, Zhongrong Trust and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Zhongrong Trust transferred its 95% equity interest in Hunan Weilong to Hunan Fullsun Group at a consideration of RMB422,142,000 which was determined with reference to the formula as set out in the cooperation agreement entered into among Hunan Fullsun Group, Fujian Fusheng Group, Zhongrong Trust and Hunan Weilong in 2011. Such equity transfer was properly and legally completed and settled on 8 June 2013. Upon completion of such equity transfer, Hunan Weilong was owned as to 5% by Fujian Fusheng Group and 95% by Hunan Fullsun Group.

Pursuant to the financing arrangement, on 30 July 2013, Hunan Fullsun Group and Beijing Zangshan entered into an equity transfer agreement, pursuant to which Hunan Fullsun Group transferred its 49% equity interest in Hunan Weilong to Beijing Zangshan at a consideration of RMB196,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 1 August 2013. Upon completion of such equity transfer, Hunan Weilong was owned as to 5% by Fujian Fusheng Group, 46% by Hunan Fullsun Group and 49% by Beijing Zangshan. Each of Fujian Fusheng Group and Hunan Fullsun Group pledged its equity interest in Hunan Weilong in favour of Beijing Zangshan as security for its performance of the obligations under the financing arrangement. Please refer to the section headed ''Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation'' in this circular for detailed information about the financing arrangement.

On 30 November 2014, Fujian Fusheng Group and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Fujian Fusheng Group transferred its 5% equity interest in Hunan Weilong to Hunan Fullsun Group at a consideration of RMB20,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 26 December 2014.

Upon completion of such equity transfer, Hunan Weilong was owned as to 51% by Hunan Fullsun Group and 49% by Beijing Zangshan. Pursuant to the trust financing arrangement and upon completion of such equity transfer, Hunan Fullsun Group pledged its 51% equity interest in Hunan Weilong in favour of Beijing Zangshan as security for its performance of the obligations under the trust financing arrangement. Such share pledge was released on 25 August 2015.

On 24 August 2015, Hunan Fullsun Group and Beijing Zangshan entered into an equity transfer agreement, pursuant to which, Beijing Zangshan transferred its 49% equity interest in Hunan Weilong to Hunan Fullsun Group at a consideration of RMB196,000,000, which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 25 August 2015. Upon completion of such equity transfer, Hunan Weilong was owned as to 100% by Hunan Fullsun Group. Hunan Fullsun Group pledged its 100% equity interest in Hunan Weilong to 大業信託有限責任公司 (Daye Trust Co., Ltd.*) ("**Daye Trust**") pursuant to a share pledge agreement dated 31 August 2015 entered into between Hunan Fullsun Group and Daye Trust. Such pledge was released on 18 July 2016.

2.9 Hunan Zhonglv

Hunan Zhonglv was established in the PRC on 20 September 2007 as a limited liability company. It is principally engaged in the development of real properties. The initial registered capital of Hunan Zhonglv was RMB40,000,000. At the time of its establishment, Hunan Zhonglv was owned as to 100% by 福建中旅房地產開發有限公司 (Fujian Zhonglv Real Estate Development Co., Ltd.*) ("**Fujian Zhonglv**"), an Independent Third Party.

On 16 October 2007, the registered capital of Hunan Zhonglv was increased from RMB40,000,000 to RMB81,000,000 with Fujian Zhonglv contributing RMB41,000,000 in cash.

On 17 November 2008, Fujian Zhonglv and 上海駿溢實業有限公司 (Shanghai Junyi Industrial Co., Ltd.*) ("**Junyi Industrial**"), an Independent Third Party, entered into an equity transfer agreement, pursuant to which, Fujian Zhonglv transferred its 95% equity interest in Hunan Zhonglv to Junyi Industrial at a consideration of RMB76,950,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Fujian Zhonglv and Chen Dongxue (陳冬雪) entered into an equity transfer agreement, pursuant to which, Fujian Zhonglv transferred its 5% equity interest in Hunan Zhonglv to Chen Dongxue at a consideration of RMB4,050,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfers were properly and legally completed and settled on 17 November 2008. Upon completion of such equity transfers, Hunan Zhonglv was owned as to 95% by Junyi Industrial and 5% by Chen Dongxue.

On 12 July 2011, Junyi Industrial and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which, Junyi Industrial transferred its 20% equity interest in Hunan Zhonglv to Hunan Fullsun Group at a consideration of RMB16,200,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 13 July 2011. Upon completion of such equity transfer, Hunan Zhonglv was owned as to 75% by Junyi Industrial, 20% by Hunan Fullsun Group and 5% by Chen Dongxue.

On 14 September 2011, Junyi Industrial and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which, Junyi Industrial transferred its 75% equity interest in Hunan Zhonglv to Hunan Fullsun Group at a consideration of RMB60,750,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Chen Dongxue and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which, Chen Dongxue transferred her 5% equity interest in Hunan Zhonglv to Hunan Fullsun Group at a consideration of RMB4,050,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfers were properly and legally completed and settled on 19 September 2011. Upon completion of such equity transfers, Hunan Zhonglv was owned as to 100% by Hunan Fullsun Group.

On 29 September 2011, Hunan Fullsun Group entered into an equity transfer agreement with each of Peng Kuidong (彭葵東), the spouse of Mr. Pan Jungang and the sister-in-law of Mr. Pan, and Qi Zeqiao (戚澤橋), pursuant to which, Hunan Fullsun Group transferred its 40% and 35% equity interest in Hunan Zhonglv to Peng Kuidong and Qi Zeqiao, respectively, at the aggregate consideration of RMB60,750,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfers were properly and legally completed and settled on 8 October 2011. Upon completion of such equity transfers, Hunan Zhonglv was owned as to 25% by Hunan Fullsun Group, 40% by Peng Kuidong and 35% by Qi Zeqiao.

Pursuant to the trust agreements dated 26 September 2011 and 28 September 2011 respectively ("**Hunan Zhonglv Trust Agreements**"), Mr. Pan entrusted Peng Kuidong and Qi Zeqiao respectively to hold the aggregate 75% equity interest in Hunan Zhonglv by making use of funds provided by him. Accordingly, Mr. Pan was beneficially interested in the 75% equity interest in Hunan Zhonglv. As confirmed by Mr. Pan, the reason for entering into the Hunan Zhonglv Trust Agreements was for the convenience of making investment in Hunan Zhonglv and also for the convenience of exercising the shareholders' rights. As advised by the PRC Legal Advisers, such trust arrangement did not violate the applicable PRC laws and administrative regulations.

On 27 March 2012, Qi Zeqiao and Peng Kuidong entered into an equity transfer agreement, pursuant to which, Qi Zeqiao transferred his 35% equity interest in Hunan Zhonglv to Peng Kuidong, at a consideration of RMB28,350,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 9 April 2012. Upon completion of such equity transfer, Hunan Zhonglv was owned as to 25% by Hunan Fullsun Group and 75% by Peng Kuidong on behalf of Mr. Pan.

On 22 February 2013, the registered capital of Hunan Zhonglv was increased from RMB81,000,000 to RMB158,820,000 with Zhongrong Trust contributing RMB77,820,000 in cash. Upon completion of the capital injection, Hunan Zhonglv was owned as to 12.75% by Hunan Fullsun Group, 38.25% by Peng Kuidong and 49% by Zhongrong Trust.

Pursuant to the financing arrangement, Hunan Zhonglv entered into following transactions: On 27 October 2014, Zhongrong Trust and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Zhongrong Trust transferred its 49% equity

interest in Hunan Zhonglv to Hunan Fullsun Group at a consideration of RMB77,820,000. On 31 October 2014, Hunan Fullsun Group and Boshi Capital entered into an equity transfer agreement, pursuant to which Hunan Fullsun Group transferred its 49% equity interest in Hunan Zhonglv to Boshi Capital, at nil consideration. Such equity transfers were properly and legally completed and settled on 31 October 2014. Upon completion of such equity transfers, Hunan Zhonglv was owned as to 12.75% by Hunan Fullsun Group, 38.25% by Peng Kuidong and 49% by Boshi Capital. Pursuant to the financing arrangement, Hunan Fullsun Group pledged its 12.75% equity interest in Hunan Zhonglv to Boshi Capital. Such pledge was released on 19 September 2016. On 30 November 2014, Peng Kuidong and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Peng Kuidong transferred her 38.25% equity interest in Hunan Zhonglv to Hunan Fullsun Group at a consideration of RMB60,750,000. Such equity transfer was properly and legally completed and settled on 24 December 2014. Upon completion of such equity transfer, Hunan Zhonglv was owned as to 51% by Hunan Fullsun Group and 49% by Boshi Capital. Pursuant to the financing arrangement, Hunan Fullsun Group further pledged its 38.25% equity interest in Hunan Zhonglv to Boshi Capital. Such pledge was released on 19 September 2016. Please refer to the section headed ''Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation'' in this circular for detailed information about the financing arrangement.

On 3 September 2016, Boshi Capital and Hunan Weilong entered into an equity transfer agreement, pursuant to which, Boshi Capital transferred its 49% equity interest in Hunan Zhonglv to Hunan Weilong, at a consideration of RMB77,820,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 20 September 2016. Upon completion of such equity transfer, Hunan Zhonglv was owned as to 49% by Hunan Weilong and 51% by Hunan Fullsun Group.

2.10 Hunan Shengran

Hunan Shengran was established in the PRC on 23 August 2013 as a limited liability company. It is principally engaged in development of real properties. The initial registered capital of Hunan Shengran is RMB30,000,000. Since its establishment, Hunan Shengran has been owned as to 100% by Hunan Zhonglv.

On 29 May 2014, 東海瑞京資產管理(上海)有限公司 (Donghai Ruijing Asset Management (Shanghai) Co., Ltd.*), 南昌銀行股份有限公司廣州分行 (Nanchang Banking Co., Ltd., (Guangzhou Branch)*) (''**Nanchang Bank**'') and Hunan Shengran entered into an entrusted loan agreement (as supplemented by a supplemental agreement dated 1 July 2014), pursuant to which Nanchang Bank conditionally agreed to grant bank loan of RMB350,000,000 to Hunan Shengran by way of entrusted bank loan. Pursuant to the entrusted loan agreement, Hunan Zhonglv pledged its entire equity interest in Hunan Shengran to Nanchang Bank. Such pledge was released on 6 May 2016.

On 5 May 2016, Hunan Zhonglv entered into a share pledge agreement with Wuhu Huide, pursuant to which, Hunan Zhonglv pledged its 100% equity interest in Hunan Shengran to Wuhu Huide.

3. REORGANISATION

In preparation of the Acquisition, the Target Group has carried out the following restructuring steps:

(1) Incorporation of the Target Company and acquisition of the entire equity interest in the Fuzhou Fullsun Group

On 29 October 2014, the Target Company was incorporated in the BVI as a limited liability company with its entire issued share capital owned by the Vendor as at the Latest Practicable Date.

On 26 December 2014, Prospering and the Target Company entered into an equity transfer agreement, pursuant to which Prospering transferred its entire equity interest in Fuzhou Fullsun Group to the Target Company at a consideration of US$61,000 which was determined with reference to the paid-up registered capital of Fuzhou Fullsun Group at the time of transfer. Such equity transfer was properly and legally completed and settled on 26 January 2015.

(2) Acquisition of the entire equity interest in each of Hunan Zhonglv, Hunan Weilong and Hunan Longxiang

On 30 November 2014, Peng Kuidong and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Peng Kuidong transferred her 38.25% equity interest in Hunan Zhonglv to Hunan Fullsun Group. Upon completion of such equity transfer, Hunan Zhonglv was owned as to 51% by Hunan Fullsun Group and 49% by Boshi Capital. Such equity transfer was legally and properly completed and settled on 24 December 2014.

On 30 November 2014, Fujian Fusheng Group and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Fujian Fusheng Group transferred its 5% equity interest in Hunan Weilong to Hunan Fullsun Group at a consideration of RMB20,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. Upon completion of such equity transfer, Hunan Weilong was owned as to 51% by Hunan Fullsun Group and 49% by Beijing Zangshan. Such equity transfer was legally and properly completed and settled on 26 December 2014. On 24 August 2015, Hunan Fullsun Group and Beijing Zangshan entered into an equity transfer agreement, pursuant to which, Beijing Zangshan transferred its 49% equity interest in Hunan Weilong to Hunan Fullsun Group at a consideration of RMB196,000,000. Upon completion of such equity transfer, Hunan Weilong was wholly owned by Hunan Fullsun Group. Such equity transfer was legally and properly completed and settled on 25 August 2015.

On 19 April 2016, Hunan Fullsun Group and Sichuan Trust entered into an equity transfer agreement, pursuant to which Sichuan Trust transferred its 49.15% equity interest in Hunan Longxiang to Hunan Fullsun Group at a consideration of RMB29,000,000 which was determined with reference to the paid-up registered capital at the time of transfer.

Such equity transfer was properly and legally completed on 21 April 2016. Upon completion of such equity transfer, Hunan Longxiang was owned as to 100% by Hunan Fullsun Group.

On 3 September 2016, Boshi Capital and Hunan Weilong entered into an equity transfer agreement, pursuant to which, Boshi Capital transferred its 49% equity interest in Hunan Zhonglv to Hunan Weilong at a consideration of RMB77,820,000 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed on 20 September 2016. Upon completion of such equity transfer, Hunan Zhonglv was owned as to 49% by Hunan Weilong and 51% by Hunan Fullsun Group.

(3) Investment by Zhuhai Oriental and Daye Trust in Hunan Fullsun

Pursuant to the financing arrangement, on 30 November 2014, Fujian Fusheng Group and Zhuhai Oriental entered into an equity transfer agreement, pursuant to which Fujian Fusheng Group transferred its 0.7485% equity interest in Hunan Fullsun to Zhuhai Oriental at a consideration of RMB3,000,000 which was determined with reference to the paid-up registered capital at the time of transfer. On the same day, Hunan Fullsun Group and Zhuhai Oriental entered into an equity transfer agreement, pursuant to which Hunan Fullsun Group transferred 48.2515% equity interest in Hunan Fullsun to Zhuhai Oriental at a consideration of RMB193,395,185 which was determined with reference to the paid-up registered capital at the time of transfer. Upon completion of such equity transfers, Hunan Fullsun was owned as to 51% by Hunan Fullsun Group and 49% by Zhuhai Oriental. Please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular for detailed information about the financing arrangement. Such equity transfers were legally and properly completed and settled on 26 December 2014.

Pursuant to an equity transfer agreement dated 15 December 2016, Zhuhai Oriental transferred its 49% equity interest in Hunan Fullsun back to Hunan Fullsun Group at a consideration of RMB196,395,185 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 19 December 2016. Upon completion of such equity transfer, Hunan Fullsun was wholly owned by Hunan Fullsun Group.

On 21 December 2016, Hunan Fullsun Group and Daye Tryst entered into another financing arrangement, being an equity transfer agreement, pursuant to which, Hunan Fullsun Group transferred its 49% equity interest in Hunan Fullsun to Daye Trust at a consideration of RMB196,395,185 which was determined with reference to the paid-up registered capital at the time of transfer. Upon completion of such equity transfer, Hunan Fullsun was owned as to 51% by Hunan Fullsun Group and 49% by Daye Trust. Please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other

financing with repurchase obligation" in this circular for detailed information about the financing arrangement. Such equity transfers were legally and properly completed and settled on 21 December 2016.

(4) Disposal of the entire equity interest in 長沙福晟物業管理有限公司 (Changsha Fusheng Property Management Co., Ltd.*) ("Changsha Fusheng") held by Hunan Fullsun Group and Qianlong Investment to 福建銀德投資有限公司 (Fujian Yinde Investment Co., Ltd.*) ("Fujian Yinde")

On 5 December 2014, each of Hunan Fullsun Group and Qianlong Investment entered into an equity transfer agreement with Fujian Yinde, respectively, pursuant to which, Hunan Fullsun Group and Qianlong Investment transferred their respective entire equity interest in Changsha Fusheng to Fujian Yinde at an aggregate consideration of RMB5,000,000. Such equity transfer was legally and properly completed and settled on 31 December 2014.

(5) Fuzhou Fullsun Group acquired the entire equity interest in Hunan Fullsun Group

Pursuant to an equity transfer agreement dated 31 December 2014, Fujian Fusheng Group transferred its 95.51% equity interest in Hunan Fullsun Group to Fuzhou Fullsun Group at a consideration of RMB426,347,700 which was determined with reference to the valuation of the equity interest at the time of transfer. Such equity transfer was properly and legally completed and settled on 4 February 2015. Upon completion of such equity transfer, Hunan Fullsun Group was owned as to 95.51% by Fuzhou Fullsun Group and 4.49% by Qianlong Investment.

Pursuant to an equity transfer agreement dated 10 March 2015, Qianlong Investment transferred its 4.49% equity interest in Hunan Fullsun Group to Fuzhou Fullsun Group at a consideration of RMB20,089,700 which was determined with reference to the valuation of the equity at the time of transfer. Such equity transfer was properly and legally completed and settled on 1 June 2015. Upon completion of such equity transfers, Hunan Fullsun Group was owned as to 100% by Fuzhou Fullsun Group.

(6) Increase in the registered capital of Fuzhou Fullsun Group

On 6 February 2015, the shareholder of Fuzhou Fullsun Group passed a resolution to increase the registered capital of Fuzhou Fullsun Group from US$61,000 to US$50,000,000 and the additional registered capital of which will be contributed in cash by the Target Company by installments by no later than 11 June 2021. Such capital

injection was legally and properly completed and settled on 27 February 2015. The total amount of the registered share capital of Fuzhou Fullsun Group was fully paid up by the Target Company on 28 May 2015.

(7) Establishment of Fujian Fullsun Investment and Fujian Fullsun Men Cheung

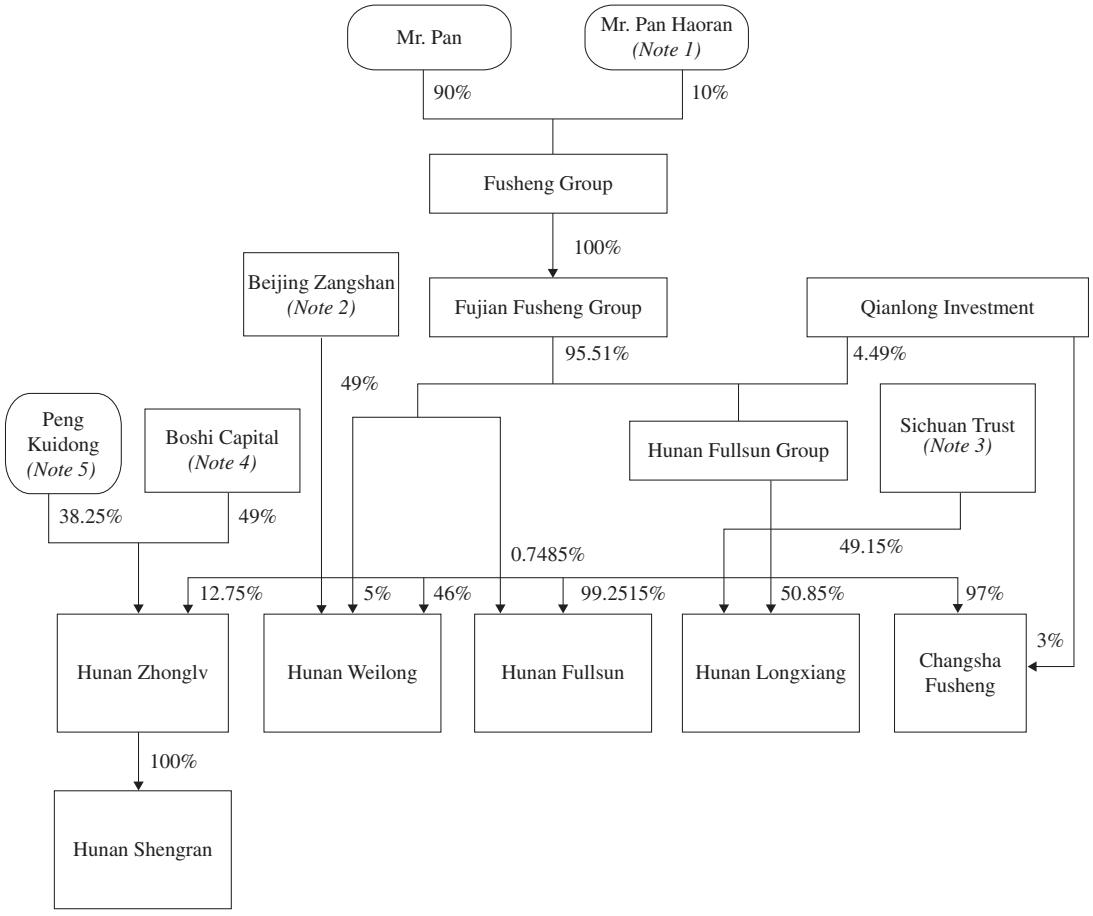
Fujian Fullsun Investment was established in the PRC on 15 April 2015 as a limited liability company with a registered capital of RMB50,000,000. At the time of its establishment, Fujian Fullsun Investment was owned as to 100% by Fuzhou Fullsun Group.

Fujian Fullsun Men Cheung was established in the PRC on 15 April 2015 as a limited liability company with a registered capital of RMB50,000,000. At the time of its establishment, Fujian Fullsun Men Cheung was owned as to 100% by Fuzhou Fullsun Group.

(8) Change of company name and scope of business of Fuzhou Fullsun Group

The company name of 福州閩長物業管理有限公司 (Fuzhou Men Cheung Property Management Co., Ltd.) was changed to 福州福晟集團有限公司 (Fuzhou Fullsun Group Co., Ltd.) and the business scope was changed to "asset management, enterprises management consulting services; landscape architecture; landscape projects; architectural engineering; construction materials; equipments; decoration materials; hardware (excluding electric bicycles); wholesale of metal products etc.". Such changes were legally and properly completed on 3 June 2015.

The following chart sets out the corporate and shareholding structure of the Target Group before the completion of the reorganisation in preparation for the Acquisition:



Notes:

(1) Pursuant to an equity transfer agreement dated 17 May 2016 entered into between Mr. Pan Haoran and Ms. Chen Weihong, Mr. Pan Haoran transferred his 10% equity interest in Fusheng Group to Ms. Chen Weihong.

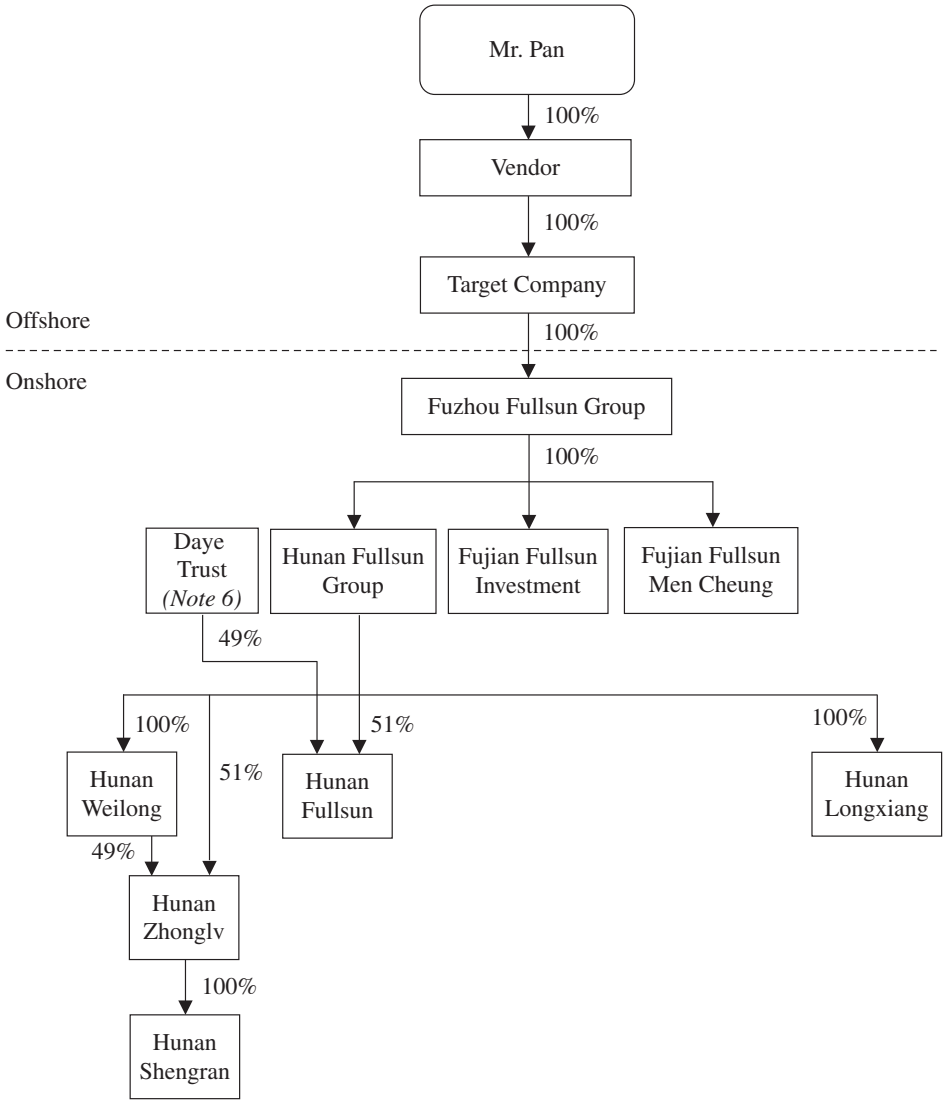
(2) Pursuant to a financing arrangement, 49% equity interest in Hunan Weilong was registered under the name of Beijing Zangshan. Please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular for detailed information about the financing arrangement.

(3) Pursuant to a trust financing arrangement, Sichuan Trust contributed to the registered capital of Hunan Longxiang and 49.15% equity interest in Hunan Longxiang was registered under the name of Sichuan Trust. Please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular for detailed information about the trust financing arrangement.

(4) Pursuant to a financing arrangement, 49% equity interest in Hunan Zhonglv was registered under the name of Boshi Capital. Please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular for detailed information about the financing arrangement.

(5) Peng Kuidong is the spouse of Mr. Pan Jungang and the sister-in-law of Mr. Pan.

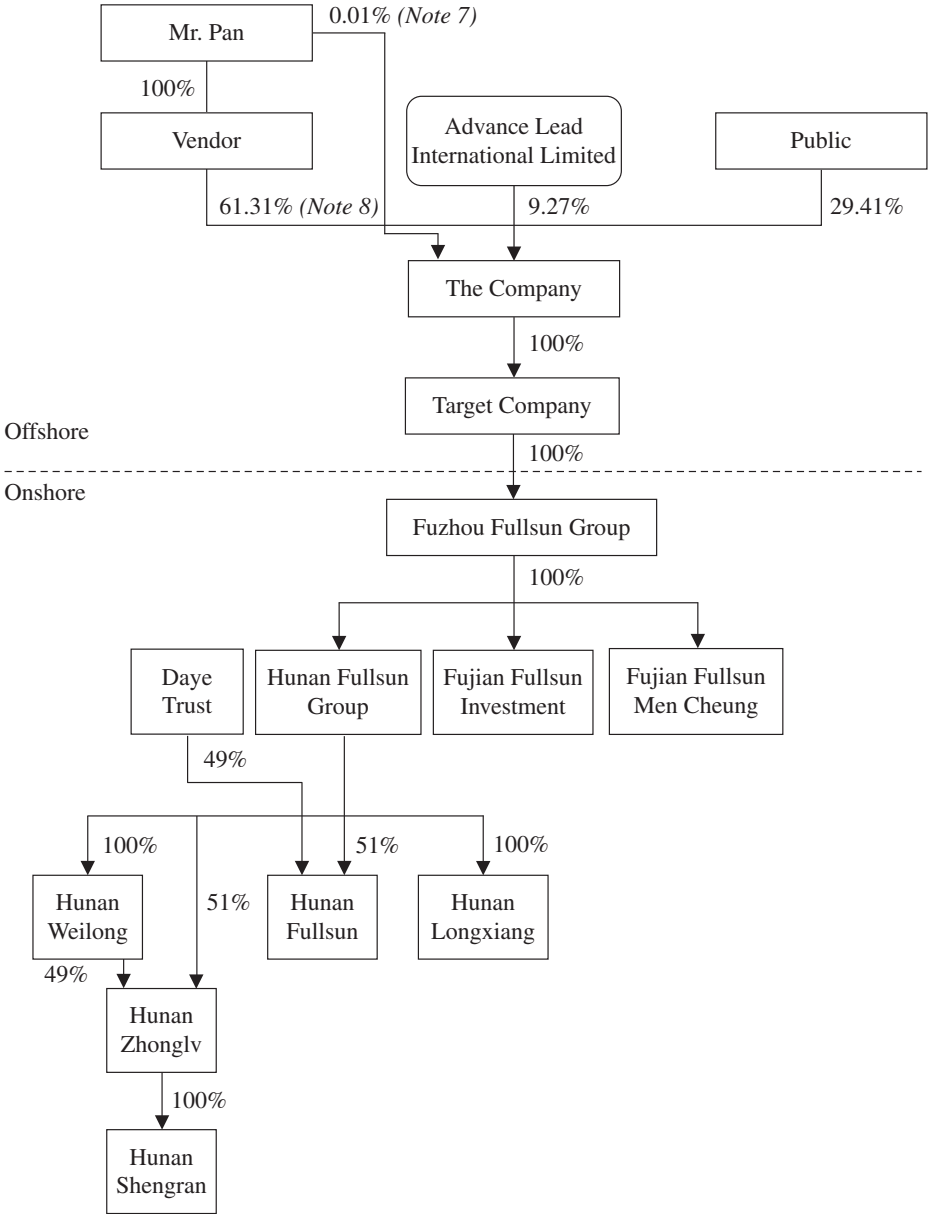
The following chart sets out the corporate and shareholding structure of the Target Group after the completion of the reorganisation in preparation for the Acquisition:



Notes:

(6) Pursuant to the financing arrangement, 49% equity interest in Hunan Fullsun was registered under the name of Daye Trust. Please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular for detailed information about the financing arrangement.

The following chart sets out the corporate and shareholding structure of the Target Group upon the SP Completion (i.e. immediately after the issue of the Consideration Shares and the Placing Shares but before the conversion of the Convertible Bonds):



Notes:

(7) 1,080,000 Shares are directly held by Mr. Pan, the ultimate beneficial owner of the Vendor, as at the Latest Practicable Date.

(8) Upon expiry of the six months after the SP Completion, 300,000,000 Granted Shares, representing approximately 2.87% of the issued share capital of the Company immediately after the issue of the Consideration Shares and the Placing Shares but before the conversion of the Convertible Bonds, will be transferred to Xiangxun Limited (wholly owned by Mr. Pan and set up for the purpose of holding the Granted Shares on trust for the 36 Transferees who are/were the members of the senior management of the Excluded Companies and/or Fujian Liujian Group). Such Granted Shares will not be counted towards the public float of the Company at completion of such transfer from the Vendor to Xiangxun Limited.

4. COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

As advised by the PRC Legal Advisers, the establishment and each change in the equity interests of the Target Group have obtained necessary approval and registration (if required) and have complied with the relevant PRC legal requirements.

4.1 M&A Rules

On 8 August 2006, the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") was jointly promulgated by six ministries and commissions, including MOFCOM, CSRC and SAFE, implemented on 8 September 2006 and amended on 22 June 2009 by MOFCOM.

According to Article 2 of the M&A Rules, "merger and acquisition of domestic enterprises by foreign investors" referred to in the M&A Rules shall mean that a foreign investor purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise ("**domestic company**") or subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise ("**merger and acquisition of equity interest**"); or, a foreign investor establishes a foreign-invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or, a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets ("**merger and acquisition of assets**"). According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or individual in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual shall be subject to examination and approval by MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

As advised by the PRC Legal Advisers, since Mr. Pan obtained the equity interest of Fuzhou Fullsun Group before the M&A Rules taking into effect and the acquisition of Hunan Fullsun Group by Fuzhou Fullsun Group is treated as a domestic re-investment by a foreign-invested enterprise, the M&A Rules did not apply and no approval or consent from the CSRC or any other PRC governmental authority is required.

4.2 SAFE Registration

On 21 October 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular 75**"), according to which, a PRC resident who establishes or takes control of a special purpose company abroad to effect foreign exchange registration with local foreign exchange bureau. While injecting assets or equity interests that a domestic resident owns in a domestic enterprise into a special purpose company abroad (the "**SPV**"), or carrying out offshore equity financing after injecting such assets or equities into such SPV, a domestic resident shall amend the registration of

offshore investment related foreign exchange to reflect the net assets or equity interests that he/she holds in the SPV. Circular 75 has been repealed by the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**") on 14 July 2014. Pursuant to the Circular 37, which was promulgated by the SAFE and became effective on 14 July 2014, a PRC citizen residing in the PRC (a "**PRC Resident**") must register with the local branch of SAFE before he contributes assets or equity interests in an overseas special purpose vehicle, which is directly established or controlled by the PRC Resident for the purpose of overseas investment or financing.

As advised by the PRC Legal Advisers, Mr. Pan has already registered with the local branch of SAFE and obtained the relevant registration certificate (if any) and such registration is in compliance with the relevant laws and regulations in the PRC.

4.3 Red Chips Guidelines

On 29 June 1997, the State Council promulgated the Circular Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (《關於進一步加強在境外發行股票和上市管理的通知》) (the "**Circular 21**"), according to which, a Chinese invested non-listed company or a Chinese-holding listed company which has registered overseas applies for issuing and listing shares overseas with its overseas assets or its domestic assets which are formed from its overseas assets invested in China should obtain consent in advance from the provincial people's government or the competent department under the State Council based on its subordination.

As advised by the PRC Legal Advisers, since the Acquisition was in fact conducted through Mr. Pan rather than the domestic entities and the Company to be acquired is not a listed company held by domestic entities, the Red Chips Guidelines did not apply and no approval or consent from the competent PRC governmental authority is required.

5. EXCLUDED COMPANIES

During the Track Record Period, the Target Group has been a property developer primarily focusing on the development and sale of residential and commercial properties in Changsha, Hunan Province of the PRC. As at 31 July 2017, the controlling shareholders had a portfolio of 35 ongoing property projects under various stages of development through the Excluded Companies in the following provinces/cities: Fujian, Tianjin, Jiangsu, Guangdong and Henan. The business of the Target Group and the Excluded Companies are clearly delineated based on their geographical locations.

The Directors and the proposed Directors consider that it is not necessary to include the Excluded Companies in the Restructured Group.

For more details about the reasons for excluding the Excluded Companies from the Target Group, please refer to the section headed "Relationship with the controlling shareholders" in this circular.

1. OVERVIEW

The Target Group is primarily engaged in the development and sale of residential and commercial properties in Changsha, the PRC through its PRC Operating Subsidiaries. According to the "Industry overview" in Appendix I to this circular, the GDP of Changsha has increased from approximately RMB454.7 billion in 2010 to approximately RMB932.4 billion in 2016, representing a CAGR of approximately 12.7%. Such fast-paced economic development, together with the easing measures and stimulating measures on the property market introduced by the PRC government in March 2015 and February 2016 respectively, would provide support to the recovery of Changsha's property market.

As at 31 July 2017, the Target Group had a portfolio of six active property projects under various stages within the development cycle which comprised (i) two residential property projects, namely Qianlong Academy (錢隆學府) and Qianlong Premier Mansion (錢隆首府); (ii) one residential complex project, namely Qianlong Royal Family (錢隆世家); (iii) two residential and commercial complex projects, namely Qianlong Fine Art (錢隆樽品) and Qianlong International (錢隆國際); and (iv) one commercial project, namely Fullsun International Financial Centre (福晟國際金融中心), in Changsha, with a total GFA of approximately 1,439,710 sq.m.. Of these active projects, as at 31 July 2017, the Target Group:

(i) had completed the development of a total GFA of approximately 812,849 sq.m.;

(ii) was in the process of developing a total GFA of approximately 370,133 sq.m.; and

(iii) was holding land for future development with a total GFA of approximately 256,729 sq.m., for which the Target Group holds land use rights certificates.

The Target Group has been positioning itself as one of the leading middle-class housing providers in Changsha. In recent years, the Target Group has received numerous awards and recognitions from media and provincial as well as local authorities in the PRC for its achievements, including 2016 China Real Estate Ranking Most Liveable Real Estate*, 2016 Green Habitat Real Estate*, 2015 Hunan Provincial Real Estate Annual Property Ranking Best Quality*, 2015 Changsha Municipal Estate Chamber of Commerce Outstanding Member*, 2014 Top 10 Hunan Provincial Real Estate Developers in Comprehensive Strength*, 2014 Gold Medal Enterprise for Integrity of Real Estate Developments*, 2014 Top 10 Hunan Provincial Real Estate Developers with Steady Operation* and 55th of Top 100 Hunan Provincial Private Enterprises 2014*. For further details of the Target Group's awards and recognitions, please refer to the paragraph headed "12. Awards and recognitions" in this section.

The Target Group's revenue is recognised upon completion and delivery of the properties to the customers. For the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2016 and 2017, the total revenue of the Target Group amounted to approximately RMB1,137.7 million, RMB942.8 million, RMB768.4 million, RMB284.1 million and RMB136.8 million respectively. The net profit of the Target Group for the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2016 and 2017 amounted to approximately RMB86.8 million, RMB122.7 million, RMB66.8 million, RMB24.2 million and RMB51.2 million respectively.

2. COMPETITIVE STRENGTHS

The proposed Directors believe that their ability to capture growth opportunities is attributable to the following key competitive strengths:

2.1 Geographical and market advantages of Changsha

During the Track Record Period, the Target Group focused its business in Changsha. The Target Group enjoys the geographical advantage of Changsha. As the capital of Hunan Province, Changsha is an important transportation centre among other major cities in the PRC, with major railway links including the Beijing-Guangzhou High-Speed Railway and Shimen-Changsha Railway providing access to the city. Further, Changsha is well served by the Changsha Huanghua International Airport which provides direct flights to many other domestic and international destinations. In addition, the State Council has approved the "The Urban Agglomeration Development Plan in the Middle Reach of Yangtze River*" (《長江中游城市群發展規劃》) (the "**Development Plan**") in April 2015. The Development Plan covers various cities located in Hubei Province, Hunan Province (including Changsha) and Jiangxi Province spanning an area of approximately 317,000 sq.km. with a population of approximately 121 million inhabitants as at the end of 2014. The Development Plan focuses on various aspects such as (i) coordination of the development of city and rural areas; (ii) linking up infrastructure facilities; (iii) coordination of the development of different sectors; (iv) sustainable development; (v) sharing of public services; and (vi) deepening of "opening up". In April 2015, the State Council has also approved the establishment of the "Hunan Xiangjiang New District*" (湖南湘江新區) (the "**New District**") which comprises of a number of communities within the city of Changsha. The New District is the first "state-level new district" in central China and its establishment is expected to benefit the development of central China, drive construction in the "Yangtze river economic belt" and increasing the pace of "opening up" of inland areas of the PRC. The PRC government aims to build the New District into a high-tech manufacturing and innovation base. The proposed Directors are of the view that with the approval of the Development Plan and the New District, Changsha is well-positioned to benefit from the opportunities brought upon by such policy shift.

According to the "Industry overview" in Appendix I to this circular, the GDP of Changsha has increased from approximately RMB454.7 billion in 2010 to approximately RMB932.4 billion in 2016, representing a CAGR of approximately 12.7%. Such fast-paced economic development would provide support to the recovery of Changsha's property market after the implementation of the easing measures and stimulating measures on the property market introduced by the PRC government in March 2015 and February 2016 respectively. The proposed Directors believe that the Target Group is in a position to capture these opportunities in a timely manner, has successfully developed and is developing its quality property development projects in Changsha with a primary focus on middle-class housing, and is expected to leverage on these advantages to further develop more residential and commercial properties in the city of Changsha.

2.2 Experienced management teams

The management team of the Target Group includes skilled personnel with more than 10 years of experience in the real estate industry. The proposed executive Director, Mr. Pan Jungang has over 11 years of experience and knowledge in management, property development, project design and management. Mr. Li Jinrong has an Intermediate Engineer Certificate and over 15 years of experience and knowledge in engineering management and cost management. Ms. Wu Jihong, the proposed chief financial officer, has experience in investment operation, financial management, auditing and human resources. The proposed Directors believe that the members of the Target Group's senior management have significant experience and expertise in the development of real estate projects in other first and second tier cities (i.e. Guangzhou and Fuzhou). They also believe that such expertise enables the Target Group to rapidly replicate its success in other cities, capture opportunities, contribute to the long-term development of the Target Group and has placed the Target Group in better position in site selection for acquiring quality land with good development potential for future property development. Please refer to the section headed ''Directors and senior management of the Restructured Group'' in this circular for further details.

The proposed Directors believe that the collective in-depth knowledge and experience of the management team of the Target Group is a primary contributing factor for the Target Group's past achievements, and will continue to play a key role in the future development of the Target Group. The proposed Directors further believe, under the leadership and experience of the management of the Target Group and leveraging on the success of existing projects, the Target Group will be able to select suitable sites for future development.

2.3 Established reputation and corporate recognition

The Target Group has received various awards and recognitions, including 2016 China Real Estate Ranking Most Liveable Real Estate*, 2016 Green Habitat Real Estate*, 2015 Hunan Provincial Real Estate Annual Property Ranking Best Quality*, 2015 Changsha Municipal Estate Chamber of Commerce Outstanding Member*, 2014 Top 10 Hunan Provincial Real Estate Developers in Comprehensive Strength*, 2014 Gold Medal Enterprise for Integrity of Real Estate Developments*, 2014 Top 10 Hunan Provincial Real Estate Developers with Steady Operation* and 55th of Top 100 Hunan Provincial Private Enterprises 2014*, which have proven the success of the Target Group. For further details of the Target Group's awards and recognitions, please refer to the paragraph headed ''12. Awards and recognitions'' in this section. The proposed Directors believe that the success of Qianlong Fine Art, the first project of the Target Group in 2006, has helped to establish the Target Group's reputation as a quality residential and commercial developer and enhanced corporate recognition of the Target Group in Changsha, and the brand of Qianlong is gradually recognised and accepted by consumers. Further, the proposed Directors believe that the experience and success in offering quality residential and commercial properties in Changsha will enable the Target Group to further penetrate into new development sites in Changsha and will provide a platform for the Target Group to replicate its success in other regions in the future.

2.4 Focus on mid-market development projects

During the Track Record Period, the Target Group had principally focused on the mid-market development projects that appeal to the middle-class mass market buyers. The Target Group believes such focus enables the Target Group to shorten the development cycle as compared to developing high-end projects which would require more time and resources in the planning, design and construction phases. Furthermore, the Target Group's focus on middle-class mass market properties enables the Target Group's projects to have relatively wider accessibility to the general public and therefore wider potential customer base, as opposed to high-end residential properties which are only affordable to a relatively smaller crowd of potential customers.

3. STRATEGIES AND FUTURE PLANS

The Restructured Group intends to seek sustainable growth by pursuing the following principal strategies:

3.1 Continue to acquire land for residential and commercial property development in prime locations in cities with high economic growth potential, in particular the first and second tier cities in the PRC

The Target Group has been committed to developing high quality residential and commercial property development projects. The Target Group chose Changsha to conduct its business in view of Changsha's geographical and market advantages and potential investment opportunities in the property markets. The Restructured Group intends to continue to leverage on the Target Group's past experience in identifying and acquiring land situated in prime locations in cities with high economic growth potential, in particular the first and second tier cities in the PRC. The proposed Directors are of the view that prime locations, such as places that are close to transportation network, schools, parks, hotels, administrative regions and commercial centres, are of higher potential development opportunities.

Having considered the pace of urbanisation in the PRC and the higher economic growth in certain second tier cities in the PRC than the overall national economic growth, the proposed Directors are of the view that there are more business opportunities for residential and commercial property development in such cities. Under the plan on urbanisation of the PRC government, rural villagers are migrating to urban areas and the urban population is increasing. Please refer to paragraphs headed "1. Overview of the PRC economy" and "2. The PRC's economic outlook and government policies established for economic growth and urbanisation" in the "Industry overview" in Appendix I to this circular for further details about the aforementioned urbanisation. The proposed Directors consider that the continued urbanisation in the PRC and the increasing urban population will generate demand for residential properties in such urban areas. The proposed Directors further believe that the re-development planning of old towns in the second tier cities in the PRC would present additional opportunities for residential property developments therefore enabling the Restructured Group to potentially capture such opportunities to acquire land for re-development purposes and expand its foothold in the residential property market in these cities.

Additionally, according to the "Industry overview" in Appendix I to this circular, Changsha had a higher overall GDP growth rate with a CAGR of approximately 12.7% for the period from 2010 to 2016 as compared to the overall GDP growth rate of the PRC with a CAGR of approximately 10.3% for the same period. The proposed Directors believe that the living conditions in Changsha as well as other first and second tier cities will continue to improve as in line with the accelerated economic development and the continual growth of GDP in these cities will in turn drive the demand for quality residential properties. The Restructured Group is expected to be in a position to capture opportunities to expand its market share in cities with high economic growth potential in particular the first and second tier cities in the PRC.

In the meantime, the Restructured Group will continue to explore business opportunities in other regions of the PRC in order to expand the geographical coverage of its projects and capture the benefit of the economic growth in such regions.

3.2 Strengthen its corporate recognition and presence in the property market

During the Track Record Period, the Target Group had advertised its properties through a wide range of advertisement (including the use of billboards, pamphlets and leaflets). The Restructured Group intends to further develop such marketing efforts with the aim of enhancing its corporate visibility by extending its advertising campaigns across multiple platforms and increasing placement of advertisements through different channels such as text message, newspapers, internet, radio, social network, outdoor billboards, public transport, site advertisement and free distribution of mineral water with printed company logo in the Changsha Huanghua International Airport.

3.3 Continue to develop existing property development projects and acquire land reserves to sustain future growth

The proposed Directors intend to implement a prudent and disciplined corporate strategy to promote steady and sustainable growth of the Restructured Group. Leveraging on the success of the existing projects and to promote its long-term growth, the Target Group acquired two parcels of land located in Changsha in 2013 through listing-for-sale with two site areas of approximately 49,488 sq.m. and 16,461 sq.m. to develop a residential and commercial complex and a commercial project, respectively. The proposed Directors are of the view that the current properties under development and land reserve can sustain the Target Group's future development up to 2021. Please refer to the paragraph headed "4. Property development projects of the Target Group — 4.4 Description of the property projects" in this section for further details.

The proposed Directors confirm that the Target Group has implemented strict land acquisition protocol, exercised prudent approach in land auctions to refrain from paying excessive premium for any parcel of land, and maintained land reserve at an appropriate level in order to prevent the confiscation of idle lands and the relevant fines imposed. When selecting land, the Target Group focuses on factors such as price, risks, and potential profitability and it mainly invests in centrally-located mainstream projects that cater the needs

of the mass market. The Target Group also focuses on acquisition opportunities in Changsha and closely monitors the economic growth of other first and second tier cities in order to capture opportunities to acquire quality land at reasonable prices.

In order to expand the geographical coverage of the Target Group's property development to sustain future growth, the Restructured Group will continue to identify potential land parcels suitable for its residential property development projects and acquire its land reserves in other cities with high economic growth potential, in particular the first and second tier cities in the PRC. The Restructured Group will continue to acquire land through various means, such as public tender, auction and listings-for-sale organised by the relevant PRC governmental authorities or acquisition of controlling equity interests in entities that hold land use rights. The management of the Target Group would take into account a number of factors in selecting new markets for expansion, such as local geographical size, population, overall economic development and potential competition in the market. As at the Latest Practicable Date, the Target Group had yet to identify land for expanding its market foothold in other cities but will strive to look for suitable land in cities with high economic growth potential at a competitive cost to sustain its long-term growth. The proposed Directors expect to fund the Restructured Group's expansion plans with internal resources and third party borrowings.

3.4 Diversify the Restructured Group's income stream by expanding into developing and managing investment property

Despite of its growing portfolio of property development for sale during the Track Record Period, the Target Group intends to diversify its income stream by developing a future property project, namely the hotel and commercial apartments portion of Qianlong Royal Family, which is currently under development for long term investment purposes. The proposed Directors believe that diversifying the Restructured Group's business into holding investment property for rental income in the future will enable the Restructured Group to maintain relatively stable and recurring rental income during the contracted term of the relevant lease agreement as well as to achieve possible long term capital gain. From the corporate funding perspective, holding completed projects as investment properties will also boost the Restructured Group's balance sheet position and diversify the Restructured Group's source of capital through obtaining future loan financing by enlarging the asset pool available to the Restructured Group to be used as security when obtaining future loan financing.

The PRC's economic development had boosted the pace of urbanisation. Over the past 10 years, the proportion of urbanisation in the PRC increased by 1% to 1.5% every year, reaching 57.3% in 2016. According to the "National Plan on New Urbanisation (2014–2020)*" (國家新型城鎮化規劃(2014–2020)) released by the State Council, certain measures will be carried out to increase the level and quality of China's urbanisation in the future, aiming the urbanisation rate to reach 60% by 2020. In view of the above, the proposed Directors expect to leverage its investment property leasing business in different areas such as offices, hotel, retail shops and shopping malls. The proposed Directors believe that the aforementioned diversification of the Target Group's business will strengthen the Target Group's income position and cash flow.

Furthermore, from the risk management perspective, this strategy will also enable the Restructured Group to expand its income stream from its traditional principal business in the development of residential property for sale into rental income from investment property so as to secure a more stable income flow through risk diversifications. The proposed Directors consider this strategy is important at times of slowing growth in the residential property market in the PRC to mitigate any potential negative impact on the Restructured Group's financial position.

3.5 Attract, retain and motivate talented personnel by offering competitive remuneration packages

The Target Group relies on its staff and management to carry out project management and supervision of third-party contractors to ensure quality services. Therefore, the Restructured Group is committed to building a professional and highly qualified team with strong execution capability that shares its values, vision and corporate culture. The proposed Directors believe that the success and future growth strategy of the Restructured Group depends on its ability to attract and retain talented professionals, particularly experienced individuals.

In order to attract and retain talented professionals, the Restructured Group will offer competitive remuneration packages to its employees. The Restructured Group will also continue to place great emphasis on the enhancement of its operation team's knowledge and keep abreast of the property development industry-related information through encouraging their staff to attend relevant seminars and trainings. The Restructured Group may offer its employees a wide range of performance incentives, including share options under the Share Option Scheme and performance-based bonuses, to better align its employees' interests and to foster a higher level of sense of belonging and approval of its corporate value and culture.

4. PROPERTY DEVELOPMENT PROJECTS OF THE TARGET GROUP

4.1 Overview of the property development projects

The Target Group's current portfolio of property development projects consists of six active projects under various stages of development in Changsha, with a main focus on the development of residential properties, as well as integrated residential and commercial properties, featuring residential buildings, offices, commercial apartments, retail shops, hotel and shopping malls. The map below shows the geographic locations of the projects of the Target Group in the PRC.

Changsha, Hunan Province	
Project name	**GFA (sq.m.)**
Qianlong Academy (錢隆學府)	172,456
Qianlong Fine Art (錢隆樽品)	252,862
Qianlong Premier Mansion (錢隆首府)	176,410
Qianlong Royal Family (錢隆世家)	437,760
Qianlong International (錢隆國際)	236,362
Fullsun International Financial Centre (福晟國際金融中心)	163,861

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive use properties. Normally, the relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until the construction land planning permit has been obtained by the developer and the land premium has been paid in full and the resettlement process completed. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates are granted at different stages of development.

The site area information for an entire project is based on the relevant land use rights certificates. The aggregate GFA of a project includes saleable and non-saleable GFA, carparks as well as rentable GFA. ''Saleable GFA'' represents the GFA of a property which the Target Group intends to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land use rights grant contracts or other approval documents from the local governments relating to the project. ''Rentable GFA'' refers to GFA that is available for rental purposes.

The figures for completed GFA as illustrated in this circular are based on figures as stated in the relevant governmental documents. The following information disclosed in this circular are based on the Target Group's internal records and estimates:

- figures of GFA under development, GFA for future development, GFA sold, GFA pre-sold, saleable GFA and rentable GFA; and

- information regarding total development costs (including land costs, construction costs and capitalised finance costs), estimated construction commencement date, estimated completion date, planned construction period, number of residential units, number of residential units pre-sold and ASP. The information setting out the construction period for the phases of the Target Group's projects in this circular is based on relevant governmental documents or the Target Group's own internal estimates.

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

Project names adopted in this circular are names which the Target Group has used, or intends to use, to market its properties. Some of the names for the Target Group's property developments are pending approvals by the relevant governmental authorities and may be subject to change.

4.2 Status of the projects of the Target Group

The property projects of the Target Group can be categorised into three types according to their stages of development:

- *Completed properties.* A property is categorised as completed when the completion and acceptance certificate is received from the relevant local governmental authorities in respect of the property development.

- *Properties under development.* A property is categorised as under development as soon as the construction work commencement permit is received from the relevant local governmental authorities with respect to the property development, but prior to the issuance of the completion and acceptance certificate.

- *Properties held for future development.* A property is categorised as held for future development when the Target Group has successfully bid for land parcels through public tenders, auctions or listings-for-sale held by the local government and signed the relevant land use rights grant contracts with the relevant PRC land authority, or acquired the project company holding land use rights in relation to the land, but has not obtained the requisite construction work commencement permits. In each case, the construction of the structural building(s) has not yet commenced.

The table below details the Target Group's property development projects as at 31 July 2017 which (i) had been completed; (ii) were under development; or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

					COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	**Actual/estimated construction commencement date** *(note 1)*	**Actual/estimated pre-sale commencement date** *(note 2)*	**Actual/estimated construction completion date** *(note 3)*	**Total GFA** *(note 4)* *(approximate sq.m.)*	**GFA completed** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 5)* *(approximate sq.m.)*	**GFA sold and pre-sold** *(note 6)* *(approximate sq.m.)*	**Saleable/Car park GFA remaining unsold** *(note 6)* *(approximate sq.m.)*	**GFA under development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 7)* *(approximate sq.m.)*	**GFA pre-sold** *(note 6)* *(approximate sq.m.)*	**GFA held for future development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 8)* *(approximate sq.m.)*	**The Target Group's attributable interest in the project** *(note 9)*	**Reference to property valuation report** *(property no.)*
Qianlong Academy (錢隆學府)															
Phase I	December 2009	September 2010	October 2013	104,125	104,125	101,660	94,490	7,169	—	—	—	—	—	100%	2
— Residential				80,107	80,107	80,107	80,107	—	—	—	—	—	—		
— Retail shops				1,955	1,955	1,955	1,955	—	—	—	—	—	—		
— Car parks				19,598	19,598	19,598	12,428	7,169	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				2,466	2,466	—	—	—	—	—	—	—	—		
Phase II	April 2011	December 2011	July 2014	68,330	68,330	67,302	65,861	1,441	—	—	—	—	—	100%	2
— Residential				56,333	56,333	56,333	56,333	—	—	—	—	—	—		
— Retail shops				817	817	817	817	—	—	—	—	—	—		
— Car parks				10,152	10,152	10,152	8,711	1,441	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				1,028	1,028	—	—	—	—	—	—	—	—		
Total for Qianlong Academy				172,456	172,456	168,961	160,351	8,610	—	—	—	—	—	100%	

					COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	**Actual/estimated construction commencement date** *(note 1)*	**Actual/estimated pre-sale commencement date** *(note 2)*	**Actual/estimated construction completion date** *(note 3)*	**Total GFA** *(note 4)* *(approximate sq.m.)*	**GFA completed** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 5)* *(approximate sq.m.)*	**GFA sold and pre-sold** *(note 6)* *(approximate sq.m.)*	**Saleable/Car park GFA remaining unsold** *(note 6)* *(approximate sq.m.)*	**GFA under development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 7)* *(approximate sq.m.)*	**GFA pre-sold** *(note 6)* *(approximate sq.m.)*	**GFA held for future development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 8)* *(approximate sq.m.)*	**The Target Group's attributable interest in the project** *(note 9)*	**Reference to property valuation report** *(property no.)*
Qianlong Fine Art (錢隆樽品)															
Phase I	July 2008	April 2010	November 2010	68,553	68,553	66,359	64,351	2,007	—	—	—	—	—	100%	3
— Residential				56,241	56,241	56,241	56,241	—	—	—	—	—	—		
— Retail shops				2,927	2,927	2,927	1,043	1,884	—	—	—	—	—		
— Car parks				7,191	7,191	7,191	7,067	123	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				2,195	2,195	—	—	—	—	—	—	—	—		
Phase II	December 2008	March 2010	January 2012	121,087	121,087	116,880	113,620	3,260	—	—	—	—	—	100%	3
— Residential				90,409	90,409	90,409	90,409	—	—	—	—	—	—		
— Retail shops				4,831	4,831	4,831	4,831	—	—	—	—	—	—		
— Car parks				21,640	21,640	21,640	18,380	3,260	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				4,207	4,207	—	—	—	—	—	—	—	—		
Phase III	May 2011	September 2012	August 2014	63,222	63,222	63,038	56,818	6,220	—	—	—	—	—	100%	3
— Residential				13,675	13,675	13,675	13,675	—	—	—	—	—	—		
— Offices				37,436	37,436	37,436	37,436	—	—	—	—	—	—		
— Retail shops				4,289	4,289	4,289	4,289	—	—	—	—	—	—		
— Car parks				7,639	7,639	7,639	1,418	6,220	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				184	184	—	—	—	—	—	—	—	—		
Total for Qianlong Fine Art				252,862	252,862	246,276	234,789	11,487	—	—	—	—	—	100%	

Project	Actual/estimated construction commencement date *(note 1)*	Actual/estimated pre-sale commencement date *(note 2)*	Actual/estimated construction completion date *(note 3)*	Total GFA *(note 4)* *(approximate sq.m.)*	COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT		The Target Group's attributable interest in the project *(note 9)*	Reference to property valuation report
					GFA completed *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 5)* *(approximate sq.m.)*	GFA sold and pre-sold *(note 6)* *(approximate sq.m.)*	Saleable/Car park GFA remaining unsold *(note 6)* *(approximate sq.m.)*	GFA under development *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 7)* *(approximate sq.m.)*	GFA pre-sold *(note 6)* *(approximate sq.m.)*	GFA held for future development *(approximate sq.m.)*	Total GFA saleable/ rentable/ car parks *(note 8)* *(approximate sq.m.)*		*(property no.)*
Qianlong Premier Mansion (錢隆首府)															
Phase I	October 2011	February 2012	August 2014	100,292	100,292	99,953	99,295	658	—	—	—	—	—	100%	4
— Residential				95,016	95,016	95,016	94,913	104	—	—	—	—	—		
— Retail shops				353	353	353	353	—	—	—	—	—	—		
— Car parks *(note 6 & 11)*				4,584	4,584	4,584	4,030	554	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				339	339	—	—	—	—	—	—	—	—		
Phase II	March 2013	September 2014	December 2015	76,118	76,118	72,937	61,574	11,363	—	—	—	—	—	100%	4
— Residential				58,932	58,932	58,932	58,758	174	—	—	—	—	—		
— Car parks				14,005	14,005	14,005	2,816	11,188	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				3,181	3,181	—	—	—	—	—	—	—	—		
Total for Qianlong Premier Mansion				176,410	176,410	172,890	160,869	12,021	—	—	—	—	—	100%	
Qianlong Royal Family (錢隆世家)															
Phase I	April 2012	October 2012	December 2015	106,981	106,981	99,999	87,295	12,704	—	—	—	—	—	100%	5
— Residential				82,974	82,974	82,974	82,974	—	—	—	—	—	—		
— Retail shops				2,384	2,384	2,384	—	2,384	—	—	—	—	—		
— Car parks				14,640	14,640	14,640	4,320	10,320	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				6,982	6,982	—	—	—	—	—	—	—	—		
Phase II	September 2014	December 2014	December 2019	330,778	73,408	69,275	69,156	118	206,272	203,905	83,197	51,099	51,000	100%	5, 7, 9
— Residential				215,357	69,275	69,275	69,156	118	146,083	146,083	82,367	—	—		
— Retail shops				16,819	—	—	—	—	5,857	5,857	—	10,962	10,962		
— Hotel				15,136	—	—	—	—	—	—	—	15,136	15,136		
— Commercial apartments				22,831	—	—	—	—	—	—	—	22,831	22,831		
— Car parks				54,036	—	—	—	—	51,965	51,965	830	2,071	2,071		
— Ancillary facilities and others *(note 10)*				6,599	4,133	—	—	—	2,367	—	—	99	—		
Total for Qianlong Royal Family				437,760	180,389	169,274	156,451	12,822	206,272	203,905	83,197	51,099	51,000	100%	

					COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	**Actual/estimated construction commencement date** *(note 1)*	**Actual/estimated pre-sale commencement date** *(note 2)*	**Actual/estimated construction completion date** *(note 3)*	**Total GFA** *(note 4)* *(approximate sq.m.)*	**GFA completed** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 5)* *(approximate sq.m.)*	**GFA sold and pre-sold** *(note 6)* *(approximate sq.m.)*	**Saleable/Car park GFA remaining unsold** *(note 6)* *(approximate sq.m.)*	**GFA under development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 7)* *(approximate sq.m.)*	**GFA pre-sold** *(note 6)* *(approximate sq.m.)*	**GFA held for future development** *(approximate sq.m.)*	**Total GFA saleable/ rentable/ car parks** *(note 8)* *(approximate sq.m.)*	**The Target Group's attributable interest in the project** *(note 9)*	**Reference to property valuation report** *(property no.)*
Qianlong International (錢隆國際)															
Phase I	March 2016	August 2016	March 2017	30,732	30,732	30,623	3,166	27,457	—	—	—	—	—	100%	6
— Shopping mall				24,573	24,573	24,573	3,166	21,406	—	—	—	—	—		
— Car parks				6,051	6,051	6,051	—	6,051	—	—	—	—	—		
— Ancillary facilities and others *(note 10)*				108	108	—	—	—	—	—	—	—	—		
Phase II	September 2017	December 2017	June 2021	205,630	—	—	—	—	—	—	—	205,630	199,350	100%	10
— Residential				135,711	—	—	—	—	—	—	—	135,711	135,711		
— Offices				25,811	—	—	—	—	—	—	—	25,811	25,811		
— Retail shops				8,477	—	—	—	—	—	—	—	8,477	8,477		
— Car parks				29,350	—	—	—	—	—	—	—	29,350	29,350		
— Ancillary facilities and others *(note 10)*				6,280	—	—	—	—	—	—	—	6,280	—		
Total for Qianlong International				236,362	30,732	30,623	3,166	27,457	—	—	—	205,630	199,350	100%	
Fullsun International Financial Centre (福晟國際金融中心)	March 2016	November 2016	December 2017												8
— Offices				80,533	—	—	—	—	80,533	80,533	1,238	—	—		
— Shopping mall				48,520	—	—	—	—	48,520	48,520	—	—	—		
— Car parks				30,203	—	—	—	—	30,203	30,203	—	—	—		
— Ancillary facilities and others *(note 10)*				4,605	—	—	—	—	4,605	—	—	—	—		
Total for Fullsun International Financial Centre				163,861	—	—	—	—	163,861	159,256	1,238	—	—	100%	

Notes:

* Any discrepancies in the table between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

(1) The actual construction commencement date is based on the construction work commencement permits of the first building or basement of the whole phase. Estimated construction commencement date is based on the Target Group's current estimation.

(2) The actual pre-sale commencement date is based on pre-sale permits of the first building of the whole phase. For projects which the Target Group had not obtained pre-sale permits, the estimated pre-sale commencement date is based on the Target Group's project plans.

(3) The construction completion date represents the completion date of the whole phase. Certain properties within the phase may have been completed before that date. Actual construction completion date is based on the completion and acceptance certificate. Estimated construction completion date is based on the Target Group's current estimation.

(4) Total GFA includes saleable/rentable areas, car parks and ancillary facilities and other areas which are non-saleable/rentable.

(5) Total GFA saleable/rentable/car parks completed is based on the actual GFA measurement report (房地產勘測報告書) or other relevant documents, depending on which documents are available and most up to date.

(6) GFA sold and pre-sold and saleable/car park remaining unsold have been derived from the Target Group's internal record. Saleable/car park GFA remaining unsold is derived from total GFA saleable/rentable/car park less GFA sold and pre-sold, which does not include the GFA of any properties that were pre-sold and subject to the sale and purchase agreement but not yet delivered. Part of the car parks include civil air defense spaces which the Target Group had entered into contracts to transfer the right to use such spaces to customers for use as car parks. GFA sold and pre-sold in this section takes such transfer into account.

(7) Total GFA saleable/rentable/car parks under development is based on the predicted GFA measurement report (商品房建築面積預測報告書) or other relevant documents, depending on which documents are available and most up to date.

(8) Total GFA saleable/rentable/car parks held for future development is based on the GFA review table (建築面積覆核表), the preliminary master plan (規劃總平面圖) as at 31 July 2017 or other relevant documents, depending on which documents are available and most up to date.

(9) The Target Group's attributable interest in the project is based on the Target Group's effective equity interest in the respective project companies.

(10) Ancillary facilities and others include ancillary facilities, public areas and stilt floor (if any).

(11) Car parks in Phase I of Qianlong Premier Mansion include civil air defense spaces which the Target Group had entered into contracts to transfer the right to use such spaces to customers for use as car parks. As at 31 July 2017, the GFA of car parks remaining unsold was approximately 554 sq.m., which was lower than the GFA of civil defense in basement as disclosed in the "Property valuation of the Target Group" in Appendix VI to this circular due to this different interpretation of GFA sold and pre-sold by the Property Valuer. The Property Valuer considers a parking lot sold only when the ownership title of the parking lot has been transferred to the customer.

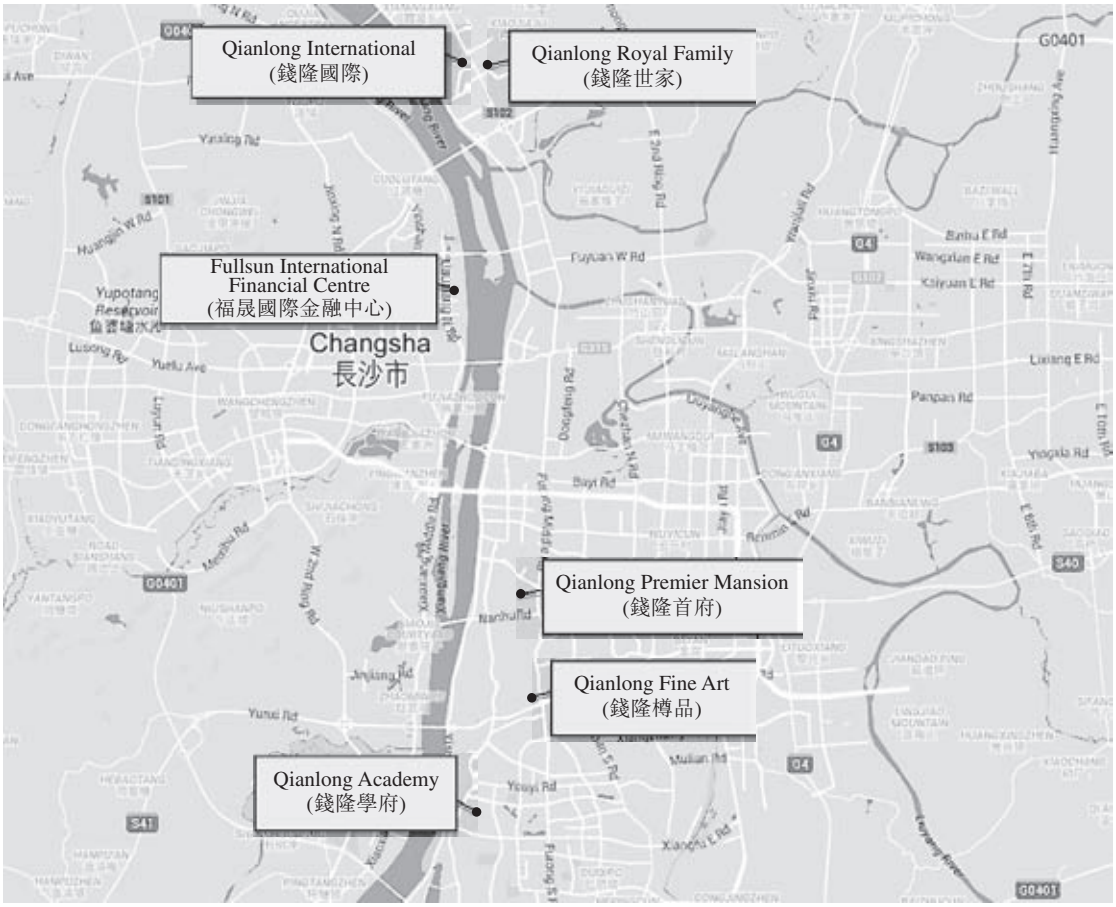
4.3 Property portfolio summary

The following table sets forth the breakdown by categories of the Target Group's property portfolio with different purpose of usage as at 31 July 2017:

Usage	**GFA completed** *(approximate sq.m.)*	**GFA under development** *(approximate sq.m.)*	**GFA planned for future development** *(approximate sq.m.)*
Residential	602,962	146,083	135,711
Commercial apartments	—	—	22,831
Retail shops	17,555	5,857	19,440
Offices	37,436	80,533	25,811
Hotel	—	—	15,136
Shopping malls	24,573	48,520	—
Car parks	105,499	82,167	31,421
Ancillary facilities	24,824	6,973	6,379
Total	812,849	370,133	256,729

4.4 Description of the property projects

The following map shows the location of the six projects of the Target Group in Changsha.



4.4.1 Qianlong Academy (錢隆學府)

Qianlong Academy is a middle-class residential project located at the intersection of Shuyuan Nan Road and Xinshao Road in Tianxin District at the South City in Changsha and just around 200 meters away from the new provincial government building and next to the east coast of Xiang River. This project occupies a total site area of approximately 66,460 sq.m. with an aggregate saleable/car park GFA of approximately 168,961 sq.m.. It comprises (i) 13 residential buildings consisting of 1,408 residential units with an aggregate saleable GFA of approximately 136,440 sq.m.; (ii) 29 units of retail shops with an aggregate saleable GFA of approximately 2,772 sq.m.; and (iii) 813 units of car parks with an aggregate saleable GFA of approximately 29,750 sq.m.. Ancillary facilities in this project include a kindergarten. The total GFA of the individual residential units ranges from approximately 45 sq.m. to 196 sq.m..

Set out below is the saleable/car park GFA of each type of property of Qianlong Academy:

Qianlong Academy	**Total saleable/ car park GFA** *(approximate sq.m.)*	**Percentage**
Residential	136,440	80.8%
Retail shops	2,772	1.6%
Car parks	29,750	17.6%
Total	168,961	100.0%

The Target Group commenced development of Qianlong Academy in December 2009 and completed this project in July 2014. As at 31 July 2017, the saleable/car park GFA of the properties comprising Qianlong Academy that had not been sold or pre-sold amounted to approximately 8,610 sq.m.. In connection with the slow pace in sales of car parks of Qianlong Academy, the proposed Directors have considered that (i) customers will consider purchasing the car parks after they have occupied the properties, therefore leading to the sales of car parks to have a much slower pace than the sales of residential units; and (ii) the Target Group's principal focus is on the sales of residential units and car parks are considered to be ancillary facilities provided mainly for the convenience of tenants and therefore do not constitute the Target Group's principal sales focus.

Photo of Qianlong Academy

Qianlong Academy was developed in two phases. Based on the Target Group's internal records, the details of contracted ASP *(Note 1)* are set out below:

Qianlong Academy	Saleable/ car park GFA of the properties comprising the relevant phases that had not been sold or pre-sold as at 31 July 2017 *(approximate sq.m.)*	Contracted ASP for the year ended 31 December 2014 *(RMB/sq.m.)*	Contracted ASP for the year ended 31 December 2015 *(RMB/sq.m.)*	Contracted ASP for the year ended 31 December 2016 *(RMB/sq.m.)*	Contracted ASP for the seven months ended 31 July 2017 *(RMB/sq.m.)*	Average unit price adopted in valuation report as at 31 July 2017 *(RMB/sq.m.)*	Valuation report price range of comparable transactions as at 31 July 2017 *(RMB/sq.m.)*
Phase I							
— Residential	—	—	4,639	—	—	—	—
— Retail shops	—	8,391	—	—	—	—	—
— Car parks	7,169	1,822	1,794	1,669	1,866	—*(Note 2)*	—*(Note 2)*
Phase II							
— Residential	—	6,110	5,879	—	—	—	—
— Retail shops	—	26,664	—	—	—	—	—
— Car parks	1,441	2,295	2,177	2,000	2,227	—*(Note 2)*	—*(Note 2)*

Notes:

(1) Contracted ASP refers to the average selling price under contracted sales which are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not. During the Track Record Period and up to 31 July 2017, the fluctuation in the contracted ASP of the Target Group's properties depends on a number of factors including, among others, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. As set out in the valuation report of the Target Group in Appendix VI to this circular, the (i) average unit price adopted in the valuation report and; (ii) valuation report price range have been arrived at with reference to recent sales transactions and asking prices of similar developments, hence no purposeful comparison can be made for contracted ASP up to the seven months ended 31 July 2017. In addition to the aforementioned factors affecting the contracted ASP's fluctuation, the difference in contracted ASP for the seven months ended 31 July 2017 and the average unit price adopted in the valuation report is attributable to unquantifiable factors including but not limited to location, floor, availability of view, and quality of units. Please refer to the valuation report of the Target Group in Appendix VI to this circular for further details.

(2) As (i) market data on the average size of parking lots is not readily available; and (ii) the relevant valuation research performed on average unit price of parking space as disclosed in Appendix VI to this circular was performed on a per-lot basis, no meaningful average unit price per sq.m. can be obtained for illustrative purposes.

As at 31 July 2017, based on the Target Group's internal estimate or records, the development cost the Target Group had incurred in this project amounted to approximately RMB643.3 million. The project was developed by the Target Group through Hunan Weilong, one of the Target Group's wholly-owned project companies.

4.4.2 Qianlong Fine Art (錢隆樽品)

Qianlong Fine Art is a middle-class residential and commercial project located at the intersection of Furong Zhong Road and South 2nd Ring Road, Tianxin District in Changsha, which is the central district of Changsha with comprehensive infrastructure, transportation, education and medical facilities. This project occupies a total site area of approximately 60,858 sq.m. with an aggregate saleable/car park GFA of approximately 246,276 sq.m.. It mainly comprises (i) ten residential buildings consisting of 1,645 residential units with an aggregate saleable GFA of approximately 160,324 sq.m.; (ii) 674 units of offices with an aggregate saleable GFA of approximately 37,436 sq.m.; (iii) 166 units of retail shops with an aggregate saleable GFA of approximately 12,047 sq.m.; and (iv) 923 units of car parks with an aggregate saleable GFA of approximately 36,470 sq.m.. Ancillary facilities in this project include a kindergarten. The total GFA of the individual residential units ranges from approximately 38 sq.m. to 267 sq.m., while the total GFA of the individual office units ranges from approximately 37 sq.m. to 135 sq.m. and the total GFA of the individual retail shop units ranges from approximately 26 sq.m. to 1,940 sq.m..

Set out below is the saleable/car park GFA of each type of property of Qianlong Fine Art:

Qianlong Fine Art	**Total saleable/ car park GFA** *(approximate sq.m.)*	**Percentage**
Residential	160,324	65.1%
Offices	37,436	15.2%
Retail shops	12,047	4.9%
Car parks	36,470	14.8%
Total	246,276	100.0%

The Target Group commenced development of Qianlong Fine Art in July 2008 and completed this project in August 2014. As at 31 July 2017, the saleable/car park GFA of the properties comprising Qianlong Fine Art that had not been sold or pre-sold amounted to approximately 11,487 sq.m.. In connection with the slow pace in sales of car parks of Qianlong Fine Art, the proposed Directors have considered that (i) customers will consider purchasing the parking lots after they have occupied the properties, therefore leading to the sales of parking lots to have a much slower pace than the sales of residential units; and (ii) the Target Group's principal focus is on the sales of residential units and parking lots are considered to be ancillary facilities provided mainly for the convenience of tenants and therefore do not constitute the Target Group's principal sales focus. In respect of the apparently slow pace in sale of retail shops of Qianlong Fine Art, the proposed Directors consider that, having taken into account the location of these retail shops remaining unsold as at 31 July 2017, there is a

lack of availability of similar shops in the market hence the proposed Directors believe there is potential upside if the Target Group were to hold onto these retail shops and temporarily lease out these shops to tenants for commercial use. Due to the above, there remains a portion of retail shops at Qianlong Fine Art that has not been sold as at 31 July 2017.

Photo of Qianlong Fine Art

Qianlong Fine Art was developed in three phases. Based on the Target Group's internal records, the details of contracted ASP *(Note 1)* are set out below:

Qianlong Fine Art	**Saleable/ car park GFA of the properties comprising the relevant phases that had not been sold or pre-sold as at 31 July 2017** *(approximate sq.m.)*	**Contracted ASP for the year ended 31 December 2014** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2015** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2016** *(RMB/sq.m.)*	**Contracted ASP for the seven months ended 31 July 2017** *(RMB/sq.m.)*	**Average unit price adopted in valuation report as at 31 July 2017** *(RMB/sq.m.)*	**Valuation report price range of comparable transactions as at 31 July 2017** *(RMB/sq.m.)*
Phase I							
— Retail shops	1,884	—	—	—	22,879	35,000	28,900–39,300
— Car parks	123	—	—	—	—	—*(Note 2)*	—*(Note 2)*
Phase II							
— Residential	—	6,701	—	—	—	—	—
— Retail shops	—	—	24,904	35,972	38,243	35,000	28,900–39,300
— Car parks	3,260	2,484	2,413	2,065	2,228	—*(Note 2)*	—*(Note 2)*
Phase III							
— Residential	—	7,878	8,641	7,721	9,118	—	—
— Offices	—	7,868	8,547	8,979	—	—	—
— Retail shops	—	29,142	27,195	38,102	33,038	35,000	28,900–39,300
— Car parks	6,220	3,228	3,601	2,808	—	—*(Note 2)*	—*(Note 2)*

Notes:

(1) Contracted ASP refers to the average selling price under contracted sales which are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not. During the Track Record Period and up to 31 July 2017, the fluctuation in the contracted ASP of the Target Group's properties depends on a number of factors including, among others, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. As set out in the valuation report of the Target Group in Appendix VI to this circular, the (i) average unit price adopted in the valuation report; and (ii) valuation report price range have been arrived at with reference to recent sales transactions and asking prices of similar developments, hence no purposeful comparison can be made for contracted ASP up to the seven months ended 31 July 2017. In addition to the aforementioned factors affecting the contracted ASP's fluctuation, the difference in contracted ASP for the seven months ended 31 July 2017 and the average unit price adopted in the valuation report is attributable to unquantifiable factors including but not limited to location, floor, availability of view, and quality of units. Please refer to the valuation report of the Target Group in Appendix VI to this circular for further details.

(2) As (i) market data on the average size of parking lots is not readily available; and (ii) the relevant valuation research performed on average unit price of parking space as disclosed in Appendix VI to this circular was performed on a per-lot basis, no meaningful average unit price per sq.m. can be obtained for illustrative purposes.

As at 31 July 2017, based on the Target Group's internal estimate or records, the development cost the Target Group had incurred in this project amounted to approximately RMB924.4 million. The project was developed by the Target Group through Hunan Weilong, one of the Target Group's wholly-owned project companies.

4.4.3 Qianlong Premier Mansion (錢隆首府)

Qianlong Premier Mansion is a middle-class residential project located at Tianjian Road, Tianxin District in Changsha, facing one of the city's landmarks, Helong Sports Centre. This project occupies a total site area of approximately 52,103 sq.m. with an aggregate saleable/car park GFA of approximately 172,890 sq.m.. It comprises (i) eight residential buildings consisting of 1,601 residential units with an aggregate saleable GFA of approximately 153,949 sq.m.; (ii) ten units of retail shops with an aggregate saleable GFA of approximately 353 sq.m.; and (iii) 525 car parks with an aggregate saleable GFA of approximately 18,589 sq.m.. Ancillary facilities in this project include a kindergarten. The planned total GFA of the individual residential units ranges from approximately 81 sq.m. to 118 sq.m., and the planned total GFA of the individual retail shop is approximately 35 sq.m..

Set out below is the saleable/car park GFA of each type of properties of Qianlong Premier Mansion:

Qianlong Premier Mansion	**Total saleable/ car park GFA** *(approximate sq.m.)*	**Percentage**
Residential	153,949	89.0%
Retail shops	353	0.2%
Car parks	18,589	10.8%
Total	172,890	100.0%

The Target Group commenced development of Qianlong Premier Mansion in October 2011 and completed this project in December 2015. As at 31 July 2017, the saleable/car park GFA of the properties comprising Qianlong Premier Mansion that had not been sold or pre-sold amounted to approximately 12,021 sq.m..

Photo of Qianlong Premier Mansion

Qianlong Premier Mansion was developed in two phases. Based on the relevant permits and certificates, and the Target Group's internal records or estimates, details of Qianlong Premier Mansion are set out below:

	Phase I	**Phase II**
Total GFA *(sq.m.)*	100,292	76,118
Total saleable/car park GFA *(sq.m.)*	99,953	72,937
Planned construction period	Completed	Completed
Date of pre-sale permit	February 2012	September 2014
Pre-sold and sold GFA as at 31 July 2017 *(sq.m.)*	99,295	61,574
Number of residential units	1,008	593

Based on the Target Group's internal records, details of the contracted ASP *(Note 1)* are as follows:

Qianlong Premier Mansion	**Saleable/ car park GFA of the properties comprising the relevant phases that had not been sold or pre-sold as at 31 July 2017** *(approximate sq.m.)*	**Contracted ASP for the year ended 31 December 2014** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2015** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2016** *(RMB/sq.m.)*	**Contracted ASP for the seven months ended 31 July 2017** *(RMB/sq.m.)*	**Average unit price adopted in valuation report as at 31 July 2017** *(RMB/sq.m.)*	**Valuation report price range of comparable transactions as at 31 July 2017** *(RMB/sq.m.)*
Phase I							
— Residential	104	8,547	8,240	—	—	9,200	9,000–11,200
— Car parks	554	5,817	6,201	6,036	6,155	—*(Note 2)*	—*(Note 2)*
— Retail shops	—	—	—	18,270	19,997	—	—
Phase II							
— Residential	174	7,903	8,311	8,197	—	9,200	9,000–11,200
— Car parks	11,188	—	—	3,727	4,256	—*(Note 2)*	—*(Note 2)*

Notes:

(1) Contracted ASP refers to the average selling price under contracted sales which are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not. During the Track Record Period and up to 31 July 2017, the fluctuation in the contracted ASP of the Target Group's properties depends on a number of factors including, among others, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. As set out in the valuation report of the Target Group in Appendix VI to this circular, the (i) average unit price adopted in the valuation report; and (ii) valuation report price range have been arrived at with reference to recent sales transactions and asking prices of similar developments, hence no purposeful comparison can be made for contracted ASP up to the seven months ended 31 July 2017. In addition to the aforementioned factors affecting the contracted ASP's fluctuation, the difference in contracted ASP for the seven months ended 31 July 2017

and the average unit price adopted in the valuation report is attributable to unquantifiable factors including but not limited to location, floor, availability of view, and quality of units. Please refer to the valuation report of the Target Group in Appendix VI to this circular for further details.

(2) As (i) market data on the average size of parking lots is not readily available; and (ii) the relevant valuation research performed on average unit price of parking space as disclosed in Appendix VI to this circular was performed on a per-lot basis, no meaningful average unit price per sq.m. can be obtained for illustrative purposes.

As at 31 July 2017, based on the Target Group's internal estimate or records, the development cost the Target Group had incurred and the estimated future development cost for this project amounted to approximately RMB1,025.7 million and RMB14.0 million respectively. The project is developed by the Target Group through Hunan Zhonglv, one of the Target Group's wholly-owned project companies.

4.4.4 Qianlong Royal Family (錢隆世家)

Qianlong Royal Family is a middle-class residential complex located in Kaifu District in Changsha, which is adjacent to Xiufengshan Park and Eryangshan Park. Together with the Target Group's other nearby project, Qianlong International, these two projects are envisaged to become a large-scale living community with facilities for residence, office, hotel, vacation and shopping. This project occupies a total site area of approximately 120,915 sq.m. with an aggregate saleable/rentable/car park GFA of approximately 424,178 sq.m.. Part of this project is under development, and it is currently expected to comprise (i) 26 residential buildings with a planned aggregate saleable GFA of approximately 298,332 sq.m.; (ii) approximately 157 units of retail shops with a planned aggregate saleable GFA of approximately 19,204 sq.m.; (iii) approximately 490 units of commercial apartments with a planned aggregate saleable/rentable GFA of approximately 22,831 sq.m.; (iv) a hotel with a planned aggregate saleable/rentable GFA of approximately 15,136 sq.m.; and (iv) car parks with a planned aggregate GFA of approximately 68,676 sq.m.. Ancillary facilities in this project include a kindergarten. The planned total GFA of the individual residential units ranges from approximately 79 sq.m. to 251 sq.m., while the planned total GFA of the individual retail shop units ranges from approximately 22 sq.m. to 2,384 sq.m. and the planned total GFA of the individual commercial apartment units ranges from approximately 40 sq.m. to 86 sq.m..

Set out below is the planned saleable/rentable/car park GFA of each type of property of Qianlong Royal Family:

Qianlong Royal Family	**Total saleable/ rentable/ car park GFA** *(approximate sq.m.)*	**Percentage**
Residential	298,332	70.3%
Commercial apartments	22,831	5.4%
Retail shops	19,204	4.5%
Hotel	15,136	3.6%
Car parks	68,676	16.2%
Total	424,178	100.0%

The Target Group commenced development of Qianlong Royal Family in April 2012. As at 31 July 2017, the saleable/rentable/car park GFA of the properties comprising Qianlong Royal Family that had not been sold or pre-sold amounted to approximately 184,530 sq.m..

Photo of Qianlong Royal Family

Qianlong Royal Family is being developed in two phases. As at 31 July 2017, Phase I had been completed and part of Phase II was under development and had already commenced pre-sale. Part of Phase II was still held for future development. Based on the relevant permits and certificates, and the Target Group's internal records or estimates, details of Phase I and Phase II are set out below:

	Phase I	**Phase II**
Total GFA *(sq.m.)*	106,981	330,778
Total saleable/rentable/car park GFA *(sq.m.)*	99,999	324,179
Planned construction period	Completed	September 2014–December 2019
Date of pre-sale permit	October 2012	December 2014
Pre-sold and sold GFA as at 31 July 2017 *(sq.m.)*	87,295	152,354
Number of residential units	723	2,041

Based on the Target Group's internal records, details of the contracted ASP *(Note 1)* are as follows:

Qianlong Royal Family	**Saleable/rentable/car park GFA of the properties comprising the relevant phases that had not been sold or pre-sold as at 31 July 2017** *(approximate sq.m.)*	**Contracted ASP for the year ended 31 December 2014** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2015** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2016** *(RMB/sq.m.)*	**Contracted ASP for the seven months ended 31 July 2017** *(RMB/sq.m.)*	**Average unit price adopted in valuation report as at 31 July 2017** *(RMB/sq.m.)*	**Valuation report price range of comparable transactions as at 31 July 2017** *(RMB/sq.m.)*
Phase I							
— Residential	—	4,907	6,304	8,781	8,125	6,500	6,500–7,900
— Car parks	10,320	—	—	2,133	2,135	—*(Note 2)*	—*(Note 2)*
Phase II							
— Residential	63,833	4,584	4,751	5,434	6,482	6,500	6,500–7,900
— Car parks	53,206	—	—	—	2,474	—*(Note 2)*	—*(Note 2)*

Notes:

(1) Contracted ASP refers to the average selling price under contracted sales which are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not. During the Track Record Period and up to 31 July 2017, the fluctuation in the contracted ASP of the Target Group's properties depends on a number of factors including, among others, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. As set out in the valuation report of the Target Group in Appendix VI to this circular, the (i) average unit price adopted in the valuation report; and (ii) valuation report price range have been arrived at with reference to recent sales transactions and asking prices of similar developments, hence no purposeful comparison can be made for contracted ASP up to the seven months ended 31 July 2017. In addition to the aforementioned factors affecting the

contracted ASP's fluctuation, the difference in contracted ASP for the seven months ended 31 July 2017 and the average unit price adopted in the valuation report is attributable to unquantifiable factors including but not limited to location, floor, availability of view, and quality of units. Please refer to the valuation report of the Target Group in Appendix VI to this circular for further details.

(2) As (i) market data on the average size of parking lots is not readily available; and (ii) the relevant valuation research performed on average unit price of parking space as disclosed in Appendix VI to this circular was performed on a per-lot basis, no meaningful average unit price per sq.m. can be obtained for illustrative purposes.

As at 31 July 2017, based on the Target Group's internal estimate or records, the development cost the Target Group had incurred and the estimated future development cost for this project amounted to approximately RMB1,292.9 million and RMB533.4 million respectively. The project is developed by the Target Group through Hunan Fullsun, one of the Target Group's project companies in which it holds a 100% effective equity interest (49% of the equity interest is registered under the name of Daye Trust). As a result of Hunan Fullsun's 49% equity interest being registered under Daye Trust due to the other financing arrangement, Daye Trust is a connected person of the Target Group.

4.4.5 Qianlong International (錢隆國際)

Qianlong International is positioned as a residential and commercial property located in Kaifu District in Changsha and it is adjacent to the Target Group's other project, Qianlong Royal Family. Together, these two projects are envisaged to become a large-scale living community with facilities for residence, office, hotel, vacation and shopping. This project occupies a total site area of approximately 49,488 sq.m. with a planned aggregate saleable/rentable/car park GFA of approximately 229,973 sq.m..

Set out below is the planned saleable/rentable/car park GFA of each type of property of Qianlong International:

Qianlong International	**Total saleable/ rentable/ car park GFA** *(approximately sq.m.)*	**Percentage**
Residential	135,711	59.0%
Retail shops	8,477	3.7%
Shopping mall	24,573	10.7%
Offices	25,811	11.2%
Car parks	35,401	15.4%
Total	229,973	100.0%

The Target Group commenced development of Qianlong International in March 2016. As at 31 July 2017, the saleable/rentable/car park GFA of the properties comprising Qianlong International that had not been sold or pre-sold amounted to approximately 226,807 sq.m..

Photo of the site of Qianlong International

Qianlong International is being developed in two phases. As at 31 July 2017, Phase I has been completed and Phase II was still held for future development. Based on the relevant permits and certificates, and the Target Group's internal records or estimates, details of Phase I and Phase II are set out below:

	Phase I	**Phase II**
Total GFA *(sq.m.)*	30,732	205,630
Total saleable/rentable/car park GFA *(sq.m.)*	30,623	199,350
Planned construction period	Completed	September 2017–June 2021
Date of pre-sale permit	August 2016	N/A
Pre-sold and sold GFA as at 31 July 2017 *(sq.m.)*	3,166	N/A
Number of residential units	—	1,230

Based on the Target Group's internal records, details of the contracted ASP *(Note 1)* are as follows:

Qianlong International	Saleable/rentable/ car park GFA of the properties comprising the relevant phases that had not been sold or pre-sold as at 31 July 2017 *(approximate sq.m.)*	Contracted ASP for the year ended 31 December 2014 *(RMB/sq.m.)*	Contracted ASP for the year ended 31 December 2015 *(RMB/sq.m.)*	Contracted ASP for the year ended 31 December 2016 *(RMB/sq.m.)*	Contracted ASP for the seven months ended 31 July 2017 *(RMB/sq.m.)*	Average unit price adopted in valuation report as at 31 July 2017 *(RMB/sq.m.)*	Valuation report price range of comparable transactions as at 31 July 2017 *(RMB/sq.m.)*
Phase I							
— Shopping mall	21,406	—	—	—	38,433	35,000	30,300–37,200

Note:

(1) Contracted ASP refers to the average selling price under contracted sales which are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not. During the Track Record Period and up to 31 July 2017, the fluctuation in the contracted ASP of the Target Group's properties depends on a number of factors including, among others, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. As set out in the valuation report of the Target Group in Appendix VI to this circular, the (i) average unit price adopted in the valuation report; and (ii) valuation report price range have been arrived at with reference to recent sales transactions and asking prices of similar developments, hence no purposeful comparison can be made for contracted ASP up to the seven months ended 31 July 2017. In addition to the aforementioned factors affecting the contracted ASP's fluctuation, the difference in contracted ASP for the seven months ended 31 July 2017 and the average unit price adopted in the valuation report is attributable to unquantifiable factors including but not limited to location, floor, availability of view, and quality of units. Please refer to the valuation report of the Target Group in Appendix VI to this circular for further details.

As at 31 July 2017, based on the Target Group's internal estimate or records, the development cost the Target Group had incurred and the estimated future development cost for this project amounted to approximately RMB616.0 million and RMB501.9 million respectively. The project is developed by the Target Group through Hunan Shengran, a project company 100% held by Hunan Zhonglv, which is one of the Target Group's wholly-owned project companies.

4.4.6 Fullsun International Financial Centre (福晟國際金融中心)

Fullsun International Financial Centre is positioned as a commercial property located in Binjiang New Town of Yuelu District in Changsha. Binjiang New Town is designed and expected to be the new central business district of Changsha. This project occupies a total site area of approximately 16,461 sq.m. with a planned aggregate saleable/rentable/car park GFA of approximately 159,256 sq.m.. It will comprise offices, a shopping mall and car parks.

Set out below is the planned saleable/rentable/car park GFA of each type of property of Fullsun International Financial Centre:

Fullsun International Financial Centre	**Total saleable/ rentable/ car park GFA** *(approximate sq.m.)*	**Percentage**
Offices	80,533	50.6%
Shopping mall	48,520	30.5%
Car parks	30,203	18.9%
Total	159,256	100.0%

The development of this project has commenced in March 2016.

Photo of the site of Fullsun International Financial Centre

Fullsun International Financial Centre is being developed in one single phase. As at 31 July 2017, this project was under development. Based on the relevant permits and certificates, and the Target Group's internal records or estimates, details of this project are set out below:

Total GFA *(sq.m.)*	163,861
Total saleable/rentable/car park GFA *(sq.m.)*	159,256
Planned construction period	March 2016–December 2017
Date of pre-sale permit	November 2016
Pre-sold and sold GFA as at 31 July 2017 *(sq.m.)*	1,238

Based on the Target Group's internal records, details of the contracted ASP *(Note 1)* are as follows:

Fullsun International Financial Centre	**Saleable/rentable/car park GFA of the properties comprising the relevant phases that had not been sold or pre-sold as at 31 July 2017** *(approximate sq.m.)*	**Contracted ASP for the year ended 31 December 2014** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2015** *(RMB/sq.m.)*	**Contracted ASP for the year ended 31 December 2016** *(RMB/sq.m.)*	**Contracted ASP for the seven months ended 31 July 2017** *(RMB/sq.m.)*	**Average unit price adopted in valuation report as at 31 July 2017** *(RMB/sq.m.)*	**Valuation report price range of comparable transactions as at 31 July 2017** *(RMB/sq.m.)*
— Offices	79,295	—	—	—	13,082	15,500	13,000–16,000

Note:

(1) Contracted ASP refers to the average selling price under contracted sales which are made when the property developer enters into a property sale and purchase agreement with a customer for the sale of property, regardless of whether the property is delivered to the customer or not. During the Track Record Period and up to 31 July 2017, the fluctuation in the contracted ASP of the Target Group's properties depends on a number of factors including, among others, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. As set out in the valuation report of the Target Group in Appendix VI to this circular, the (i) average unit price adopted in the valuation report; and (ii) valuation report price range have been arrived at with reference to recent sales transactions and asking prices of similar developments, hence no purposeful comparison can be made for contracted ASP up to the seven months ended 31 July 2017. In addition to the aforementioned factors affecting the contracted ASP's fluctuation, the difference in contracted ASP for the seven months ended 31 July 2017 and the average unit price adopted in the valuation report is attributable to unquantifiable factors including but not limited to location, floor, availability of view, and quality of units. Please refer to the valuation report of the Target Group in Appendix VI to this circular for further details.

As at 31 July 2017, based on the Target Group's internal estimate or records, the development cost the Target Group had incurred and the estimated future development cost for this project amounted to approximately RMB1,144.8 million and RMB385.3 million respectively. The project is developed by the Target Group through Hunan Longxiang, one of the Target Group's wholly-owned project companies.

4.5 Civil air defense projects

As at the Latest Practicable Date, the Target Group's property development projects included car parks completed and planned for civil air defense projects with an aggregate GFA of approximately 55,906.5 sq.m. (representing approximately 3.9% of the Target Group's aggregate property portfolio as at 31 July 2017). The estimated carrying amount of the completed civil air defense projects was approximately RMB108.2 million as at 31 July 2017. Please refer to the "Property valuation of the Target Group" in Appendix VI to this circular for GFA details of the distribution of civil air defense projects in the Target Group's property development projects. Car parks completed and planned for civil air defense projects are accounted for as properties under development for sale or completed properties for sale, as appropriate.

As advised by the PRC Legal Advisers, as at the Latest Practicable Date, projects under construction or completed by the Target Group did not violate the Civil Air Defense Law (as detailed in Appendix II to this circular) in all material aspects. As confirmed by the Target Group, during the Track Record Period and up to the Latest Practicable Date, the Target Group had not been subject to any fines or penalties in connection with the Civil Air Defense Law in all material respects.

During the Track Record Period, the Target Group had entered into contracts to transfer the right to use civil air defense projects in the Target Group's property development projects to customers for use as car parks (the "**Designated Car Parks**") and the Restructured Group intends to continue such transfer in the future. The Target Group accounts for revenue from the transfer of the right to use the Designated Car Parks as revenue from sale of properties. The Target Group has obtained written confirmation from Changsha Municipal Civil Air Defense Office* (長沙市人民防空辦公室) which confirms the civil air defense properties developed by the Target Group in Changsha shall be used and managed according to Civil Air Defense Law and no approval by Changsha Municipal Civil Air Defense Office is required to use civil air defense spaces upon the completion of the construction and Changsha Municipal Civil Air Defense Office never issues any "Utilisation Permits During Peacetime" (平時使用許可證) within Changsha limits. According to the official website of Changsha Municipal Civil Air Defense Office, it is the competent department to administer the work of civil air defense in Changsha, including but not limited to organising and managing civil air defense construction, guiding the maintenance and management work of civil air defense during peacetime. As advised by the PRC Legal Advisers, the transfer of the use right of civil air defense properties by the Target Group in Changsha in peacetime upon the completion of the construction does not violate Civil Air Defense Law. Changsha Municipal Civil Air Defense Office is the competent government department to administer the work of civil air defense in Changsha. The written confirmation obtained by the Target Group confirms no approval by Changsha Municipal Civil Air Defense Office is required to use civil air defense spaces upon the completion of the construction and Changsha Municipal Civil Air Defense Office never issues any "Utilisation Permits During Peacetime" within Changsha limits. The PRC Legal Advisers further advise that the Target Group had obtained the necessary consents and permits from local authorities regarding its construction and use of civil air defense areas in peacetime.

In respect of the use of civil air defense projects, the Target Group has adopted or will adopt the following internal control measures:

(i) The Target Group has adopted a policy that all sales staff and external property sales consultants shall explain to its customers about the restrictive use of car parks before entering into contracts to transfer the right to use civil air defense projects to its customers.

(ii) The Target Group intends to adopt a standardised contract for the transfer of the right to use the Designated Car Parks, which expressly sets out: (a) the status of the relevant car park as a civil air defense project; (b) the use of the Designated Car Parks under the Civil Air Defense Law, including management and maintenance conditions and other provisions; and (c) in times of war, the PRC government may take over civil air defense projects as civil air defense shelters and customers shall waive their rights, if any, to seek compensation or recourse against the Target Group in connection therewith.

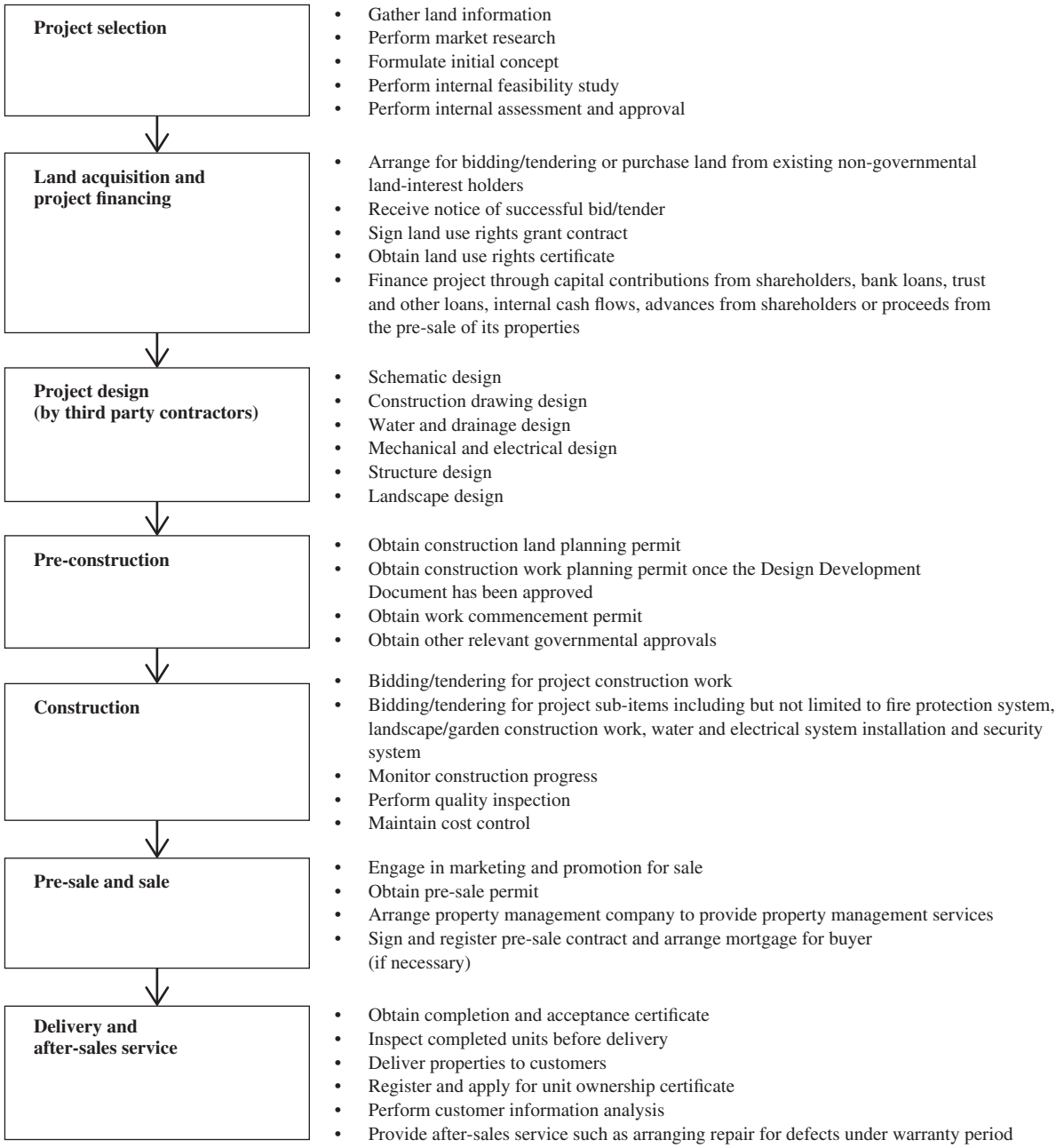
5. PROPERTY MANAGEMENT

During the Track Record Period, the Target Group provided property management service through two subsidiaries, namely Changsha Fusheng and Fuzhou Fullsun Group, which accounted for the Target Group's revenue in the amount of approximately RMB9.2 million and RMB1.6 million for the years ended 31 December 2014 and 2015 respectively. However, on 5 December 2014, the Target Group disposed of its 97% equity interest in Changsha Fusheng to an Independent Third Party at a cash consideration of approximately RMB4.9 million. On the same date, Qianlong Investment, a related party, disposed of the remaining 3% equity interest held on behalf of Mr. Pan in Changsha Fusheng to the same Independent Third Party. On 1 June 2015, Fuzhou Fullsun Group ceased its operation in property management as the new property management contracts signed by the ''Owners' Committee'' and another property management company became effective. As at the Latest Practicable Date, the Target Group did not provide any property management service.

6. PROPERTY DEVELOPMENT PROCESS

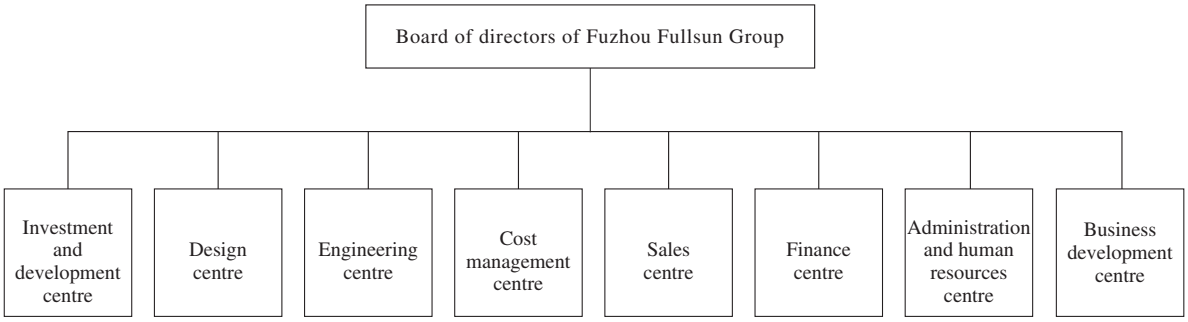
The project development process of the Target Group includes, among other things, site selection, land acquisition, project design and planning, project financing, construction, quality control and construction supervision, sales and marketing, delivery and after-sales services and property management.

Although the nature and sequence of specific planning and execution activities vary among projects, summarised and outlined in the flowchart below are the core elements of the Target Group's typical project development process for its residential and commercial properties for sale:



6.1 Organisational structure

Set out below is the organisational structure of the Target Group:



The Target Group has established eight centres: (i) investment and development centre; (ii) design centre; (iii) engineering centre; (iv) cost management centre; (v) sales centre; (vi) finance centre; (vii) administration and human resources centre; and (viii) business development centre.

The investment and development centre is responsible for conducting market research and analysis to track the macro- and socio-economic changes and growth patterns of Changsha and other target cities, to identify and assess target localities which the Target Group believes to have development potential. The investment and development centre is also responsible for coordinating the other centres to prepare brief reports on land information, economic estimate and to make investment recommendations for proposed investment on land (project) to the board of directors of Fuzhou Fullsun Group for their approval. The investment and development centre is also responsible for applying land use rights certificate and other construction permits.

The design centre is responsible for preparing the design and planning for each project. It also supervises the contracting out of the design work for projects, tracks the process of design and inspects construction works.

The engineering centre is responsible for overseeing the construction progress of each project and monitoring the quality control.

The cost management centre is responsible for preparing the cost control strategy and target for the relevant projects, as well as tender and contract management.

The sales centre is responsible for analysing market positioning of the development projects, pricing of the projects, the marketing and promotion of the relevant projects, supervising the sales process and after-sales service.

The finance centre is responsible for all the day-to-day transactional accounting for the Target Group's business, reviewing the cash flow estimates and arranging for the financing for the relevant projects.

The administration and human resources centre is responsible for overseeing the human resources matters including recruitment, safety, compliance, employee relations, employee training, compensation and benefit. The administration and human resources centre is also responsible for daily administrative support to managers, IT service and file maintaining.

The business development centre is responsible for early strategic planning, business development and operational management.

6.2 Project selection

The proposed Directors believe that project selection is an important stage in property development and is one of the keys to the success of a property development project. In conjunction with the Target Group's ongoing market and design research, the Target Group continuously works to identify and evaluate potential sites for new projects. During the Track Record Period, the Target Group had focused on projects located in Changsha. Going forward, the Target Group will consider land parcels located in Changsha and other first or second tier cities. The Target Group assesses land parcels for use in potential projects based on its analysis of, among other things:

- size, shape and location of the land parcel;
- local customer demand and expected growth of the location in which the land is located;
- transportation access and infrastructure support;
- project evaluation according to the Target Group's internal pre-determined criteria;
- development prospects, taking into account social, economic and environmental effects;
- timing and cost of relocating existing occupants (if any);
- applicable zoning regulations and governmental preferential policies; and
- governmental development plans for the relevant site and the neighbouring area.

Before a parcel of land is acquired by the Target Group for project development, the Target Group would conduct site visits and collect relevant market information including, among others, potential market demand for properties in the region, the relevant governmental plans and policies concerning future development of the region and potential competition from other property developers in the region. The proposed Directors are primarily responsible for the decision making of site selection for the property development projects of the Target Group.

6.3 Land acquisition

The Target Group uses and plans to use a variety of channels to acquire land interests, which include:

- acquiring from government through public tenders, auctions and listings-for-sale process; and
- acquiring or merging companies holding land with land use rights.

In the case of acquiring land from PRC governmental authorities through public tenders, auctions and listings-for-sale, the Target Group generally follows the following steps:

- obtain information regarding land use rights grants through governmental notice and public channels;
- participate in open market trading and pay guarantee amount;
- succeed in winning a bid or auction or succeed in making an offer for the land use rights listings-for-sale;
- sign land use rights grant contract;
- pay land premium;
- obtain land use rights certificate; and
- obtain all requisite permits and approvals from the government (please refer to the paragraph headed "6. Property Development Process — 6.6 Pre-construction" in this section for more details).

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

6.4 Project financing

Historically, the Target Group financed its projects primarily through capital contributions or advances provided by its shareholders, bank loans, trust and other loans and internal cash flows, including proceeds from the pre-sale of its properties. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group's outstanding bank and other loans amounted to approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million respectively. Finance costs of approximately RMB177.9 million, RMB271.5 million, RMB187.4 million and RMB55.2 million were incurred and capitalised to properties under development for the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2017, respectively. As at 31 July 2017, the Target Group estimates that

an aggregate amount of approximately RMB1.4 billion future development costs will be required to develop the Target Group's projects. Going forward, the Target Group will mainly finance its projects through internal cash flows, bank loans, trust and other loans, and the policy is to finance its property developments with a mixture of external financing and internal resources to fulfil the level of funding required. Please refer to the section headed "Financial information of the Target Group" in this circular for more details of the Target Group's channels of financing, indebtedness and borrowings.

According to guidelines issued by the CBRC, no loan shall be granted to projects which have not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits. The guidelines also stipulate that not less than 35% of the total investment in a property development project must come from a real estate developer's own capital for the development project in order for banks to extend loans to the real estate developer.

On 5 June 2003, the PBOC published the Notice on Further Strengthening the Management of Loans for Property Business* (《關於進一步加強房地產信貸業務管理的通知》), which prohibits commercial banks from advancing loans to fund the payment of land premium. As a result, the Target Group may use its own funds or other financing alternatives to pay for land premium.

Following the Opinion on Adjusting the Housing Supply Structures and Stabilising House Prices* (《關於調整住房供應結構穩定住房價格的意見》) promulgated by the State Council on 4 May 2006, the credit conditions on property development was further regulated to deter property developers from using bank loans to build up its land bank. Pursuant to these regulations, commercial banks in the PRC were not permitted to provide loans to property developers failing to meet loan conditions, such as having less than 35% of the project capital required for development, and commercial banks require property developers to obtain land use rights certificates and have at least 35% of the project capital required for a development prior to a loan grant.

In May 2009, the State Council issued the Circular on Adjusting the Proportions of Capital Fund in Fixed Asset Investment Projects* (《關於調整固定資產投資項目資本金比例的通知》), which has lowered the minimum capital ratio for affordable housing and ordinary commodity housing projects from 35% to 20%.

As confirmed by the proposed Directors, during the Track Record Period and up to the Latest Practicable Date, all the project companies of the Target Group had satisfied the foregoing requirements in their applications for loans. The Target Group plans to use the proceeds from the sale of properties and other internal funds to finance its future land premium payments. The proposed Directors further confirm that the Restructured Group is not expected to experience significant difficulty in obtaining new financing for its projects as (i) the Target Group is not expected to obtain any new/additional amount of financing for its existing projects up to the period ending 31 December 2018; (ii) the existing pledged assets of the Target Group are for loans already obtained for its existing projects; (iii) new land purchases for new projects shall be financed by the Target Group's internal resources together with the

expected net proceeds from the Share Placing and CB Placing (if any); and (iv) after acquisition of the relevant new land, the Target Group is expected to obtain financings for the construction/development phase by pledging the relevant land to the lender(s).

6.5 Project design

The design centre is responsible for planning and determining the master design concept for the relevant property project, taking into account certain factors such as:

- proposed type of development;
- target market; and
- size and surrounding area of the site.

Once the conceptual design of a property development project is completed, the Target Group contracts out the detailed project design work to selected architectural, decoration and landscape architecture firms (the "**External Team**"). The Target Group maintains a list of approved External Team and selects the suitable External Team for a specific project through a tender process mainly based on the specific positioning and conceptual design of the relevant project, as well as the relevant External Team's specific design style, professional qualifications, feasibility, reputation, track record, technical abilities and cost, among other things.

The design centre, the engineering centre, the cost management centre and the sales centre will collaborate with the External Team to transform the design concept into a more detailed design drawing (the "**Design Development Document**"). This is a necessary part of the design process, as the Design Development Document must be approved by the relevant PRC governmental authorities. Once approved, the Design Development Document then becomes the basis for the detailed design and construction of the project.

The sales centre, the engineering centre, the cost management centre and the design centre will develop and determine the appropriate building methods and materials so that project costs can be controlled and its developed properties are more likely to be accepted by the targeted markets.

During the construction phase, the engineering centre works closely with the contractors, the project engineers and the External Team to manage and oversee the project's progress. In addition to focusing on the functional and aesthetic aspects of the project, the design centre also provides constant site supervision and conducts progress audits in order to ensure that construction progresses are in accordance with the design plan and schedule.

6.6 Pre-construction

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

- construction land planning permit, being a permit authorising a developer to begin the survey, planning and design of a parcel of land;
- construction work planning permit, being a certificate indicating government approval for a developer's overall planning and design of the project (approval of the Design Development Document) and allowing a developer to apply for a construction work commencement permit; and
- construction work commencement permit, being a permit required for commencement of construction.

6.7 Construction

6.7.1 Appointment of construction contractors

Construction of the Target Group's projects usually proceeds phase by phase or block by block as part of its financial management and marketing strategy. Normally, the Target Group contracts a main contractor that bears the overall responsibility for all of the main construction works including construction of buildings and civil engineering works in a particular development. Other than the main construction, the Target Group also engages other specialised contractors to carry out certain construction works including but not limited to fire protection system, landscaping and garden construction work, water and electrical system installation and security system which the main contractor may not have the relevant qualifications to undertake. According to the relevant PRC laws, the selection of construction companies with respect to certain construction projects must be carried out through a tender process. The tender process must be in accordance with the "Building Construction and Municipal Facilities Construction Tender Management Regulations*" (《房屋建築和市政基礎設施工程施工招標投標管理辦法》). Construction contractors are typically selected through public tender or tender by invitation, depending on factors including the contractual amount payable under the relevant construction contract and the total investment amount of the project. Only those contractors which have obtained all relevant professional qualifications can participate in the bidding process.

To ensure compliance with the quality standard, the Target Group has established a selection procedure to select the construction contractors. The selection process for the tenders is jointly managed and supervised by the engineering centre and cost management centre. A thorough joint-centres due diligence will be undertaken on potential contractors during the bidding process, including conducting interviews with bidders, visiting the construction sites where the bidders are currently working on and conducting investigation to verify the

credentials and track record submitted by the bidders. When selecting a contractor, the Target Group typically takes into account its professional qualifications, reputation in the industry, experience and credentials, prices tendered, cash flows and other financial conditions.

The recognised construction costs of the Target Group during each of the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2016 and 2017 amounted to approximately RMB362.4 million, RMB263.0 million, RMB265.0 million, RMB65.7 million and RMB18.5 million, respectively.

6.7.2 Key terms of construction agreement

Typically, each project company within the Target Group will enter into the relevant construction agreements with external construction contractors based on the government's standard construction agreement.

Payment to contractors by the Target Group is made in stages in accordance with the terms and conditions stipulated in the standard construction agreement signed between the relevant project company and the contractors. The government's standard main construction agreement generally provides for progressive monthly payment during the construction period until a specified maximum percentage of the total contract sum is paid. The progressive monthly payment may depend on the amounts of work done by the Target Group's contractors as certified by qualified third party construction supervisory companies engaged by the Target Group on a monthly basis.

The percentage of the stage payments varies from case to case. In general, the main contractors and some of the specialised contractors would have received approximately 80% or 85% of the total payment upon completion of a project. At closing and settlement, the Target Group will normally settle approximately 95% or 97% of the total payment, and retain approximately 3% or 5% as retention money. The retention money is used to cover any contingent expenses incurred as a result of any construction defects during the warranty period provided by the relevant contractor.

Some of the specialised contractors would only receive payments in two or three stages. For payments in two stages, payments would be payable (i) upon signing of the construction agreement; and (ii) at completion. For payment in three stages, an additional interim payment would be required upon commencement of construction. The Target Group may or may not retain any payment as retention money from these specialised contractors subject to the construction agreements.

The contractors are required to provide warranties for any losses the Target Group may incur as a result of the building works not meeting contractually or statutorily specified quality standards. For example, the contractors provide five years' warranty for anti-leakage projects of roofs, toilets, rooms and outer walls and two years' warranty for decoration projects. Any unused portion of the retention money will be returned to the contractors upon expiry of the warranty period. In addition, the construction contractors are required to compensate the Target Group by paying default penalty in the event of construction delay. The proposed Directors confirm that the Target Group was not subject to any penalty, material claim or direct loss as a result of construction delays during the Track Record Period.

6.7.3 Quality control and construction supervision

The Target Group closely monitors all construction processes to ensure quality control and construction supervision. The engineering centre of the Target Group, comprising qualified engineers, is responsible to carry out quality control and safety supervision, and conducts regular inspection of the construction sites to ensure construction quality and safety control could comply with the relevant laws, regulation, guidelines and industry standards.

The Target Group has formulated detailed management policies on project supervision and quality control, by which all relevant centres of the project companies are required to strictly abide. The construction contractors also have to follow the quality control procedures.

Upon completion of construction and fitting-out of properties, the engineering centre, the External Team, the certified third party construction supervisory companies and the governmental authorities will check and inspect the properties to ensure that its condition is satisfactory prior to delivery of such properties to customers. During the Track Record Period, the Target Group did not have any material disputes with any of its contractors.

6.7.4 Procurement

The Target Group mainly outsources the procurement of construction materials to the construction contractors. However, the Target Group maintains quality control procedures for selection, inspection and testing of construction materials. The contractors will source the materials and fittings according to requirements specified on the Design Development Document. In certain cases, the Target Group may suggest a few selected brands from which the contractors can source materials. This is to ensure the construction materials meet the Target Group's standards and requirements.

All materials provided by the contractors are subject to inspection and acceptance procedures. The engineering centre of the Target Group and the certified third party construction supervisory companies will inspect the quality of construction materials and fittings to ensure compliance with the contractual specifications. Certain specific material and fittings will also be sent to project quality supervision and inspection stations designated by governmental authorities according to the relevant PRC laws and regulations. Materials that do not meet the required quality standards will not be used in projects and will be returned to the relevant suppliers.

During the Track Record Period and up to the Latest Practicable Date, the Target Group had not received any complaints from its customers on the quality of its properties which have led to material claims against the Target Group.

6.8 Pre-sale and sale

6.8.1 Pre-sale

According to the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) governing the pre-sale of urban real estate, the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land premium must be paid in full and the land use rights certificate must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;
- the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project, the standard of process of project image prescribed by local government must have been complied and the project progress and the date of completion of the project for use must have been ascertained; and
- pre-sale permit, being a permit authorising a developer to start the pre-sale of property still under construction, must have been obtained.

As confirmed by the proposed Directors, the Target Group has complied with the relevant statutory requirements in all material respects for pre-sale, including but not limited to requiring all developers to use a standard pre-sale contract required by the relevant governmental authority during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed "A. Regulatory overview of the PRC property industry — (s) Sale of commodity properties" in the "Regulatory overview" in Appendix II to this circular for more details.

6.8.2 Sales and marketing

The sales centre of the Target Group is responsible for determining the appropriate promotion and sales plans for the relevant property developments. In particular, they are responsible for conducting detailed analysis of market conditions and needs and habits of customers, preparing promotional materials, conducting general promotional campaigns and recommending unit prices for the projects, coordinating and monitoring the relevant project company's relationship with the media. Generally, the Target Group's sales plan and coincidental completion of construction has traditionally led to heightened sales and delivery activities towards the end of financial year.

The Target Group had engaged certain individuals to provide property consulting service and assist in its sales and marketing efforts. The Target Group will continue to adopt this method of sales and marketing when it considers appropriate. In general, sales agents will receive a certain percentage of the contract sum of the sale and purchase agreements which they are responsible for as commission. The internal sales supporting staff and management

team will also receive a certain percentage of the contract sum of the sale and purchase agreements which they are responsible for as commission, but at a lower rate compared to the sales agents.

The Target Group also undertakes both direct and indirect marketing efforts such as advertising, organising commercial activities, customer activities and publication of customer magazines.

6.8.3 Pricing

The sales centre of the Target Group prices its properties based on a number of factors, such as types, features, locations of the properties, the supply and demand condition of the local market. The Target Group determines the unit selling prices based on its regular market survey, the prices of comparable properties in close proximity to the Target Group's properties and the location, landscape and environment of the specific property.

In addition, the Target Group also prices its properties based on its current financial situation including, among other things, the expected profit margin after taking into account various costs associated with the property development such as the cost of land, construction costs, administrative expenses, selling and distribution expenses, incurred tax expenses and finance costs.

Sometimes, the Target Group may adopt some other pricing strategies, including introducing a lower price at the beginning period of sales so as to boost initial sales and create marketing buzz.

6.8.4 Payment arrangements

Purchasers of the Target Group's properties can choose between lump sum payments or instalments with mortgage loan financing or payment via housing provident fund accounts. Where a purchaser chooses to pay by instalments, he or she shall pay at least 30% (20% in the case of payment via housing provident fund accounts) of the purchase price with his or her own funds as down payment upon the execution of the sale and purchase agreement and pay the remaining purchase price normally within three months after the execution of the sale and purchase agreement either with his or her own funds or a mortgage loan including loans from housing provident fund permitted under the current PRC laws and regulations.

According to the accounting policy of the Target Group, the Target Group recognises revenue from sales of properties when the development of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale and purchase agreements.

The Target Group issues payment request letter to each customer who fails to make payment when such payment becomes due. According to the terms of the sale and purchase agreement, the Target Group may choose to bring a legal action or arbitration proceeding against such customer to recover the default payment as well as default penalty. Moreover, when recovery of the default payment is not possible, the Target Group may choose to rescind the sale and purchase agreement and repossess the property for later re-sale of the relevant

property. In such case, the customer is still subject to the default penalty. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not encounter material default by customers.

6.8.5 Guarantee to banks

In line with market practice, the Target Group has arrangements with various selected banks for the provision of mortgage facilities to its customers. Similar to other property developers in the PRC, the Target Group assists its customers with mortgage loans and provides guarantees in favour of the banks or housing provident fund management centres in respect of the mortgage facilities granted by them to the customers during the transitional period before the issue of the property ownership certificate.

During the Track Record Period, three of the PRC Operating Subsidiaries had provided guarantees in respect of mortgage facilities granted to their customers. As a guarantor, the relevant project company is responsible with the customer for the payment of the mortgage loan. The relevant project company's obligations under the guarantees are released upon the earlier of (i) the relevant building ownership certificates having been obtained and the certificates of other interests with respect to the relevant properties having been delivered to the mortgagee banks or the housing provident fund management centres; or (ii) the settlement of mortgage loans between the mortgagee and the Target Group's customers.

As at 30 April 2017, the Target Group had outstanding guarantees for mortgage loans of its customers in the amount of approximately RMB368.7 million. There were 16 incidents during the Track Record Period that the mortgagee bank experienced defaults by the Target Group's customers on the payment of mortgage. In general, the Target Group would settle the outstanding mortgage and fines with the relevant bank and subsequently try to recover the amount paid to the bank by way of negotiation and/or arbitration. In cases where the Target Group fails to make successful recovery, it may take possession of the relevant property and return the down payment to the customer after set-off. As at 30 April 2017, the amounts paid by the Target Group but not yet recovered were approximately RMB0.7 million and were not material to the Target Group. Please also refer to the section headed ''Risk factors — 3. Risks relating to property development in the PRC — 3.12 The Restructured Group guarantees the mortgages of its customers and may be liable to the mortgagees in the events of defaults by customers on mortgage payments and the Restructured Group's business, results of operations and financial condition may be adversely affected'' in this circular for further information.

In line with industry practice, the Target Group does not conduct independent credit checks on its purchasers but rely on credit checks conducted by the relevant banks which is subject to certain rules and regulations in the PRC.

6.9 Delivery

In relation to the Target Group's properties for sale, after construction is completed, it will need to obtain a completion and acceptance certificate from the relevant local governmental authorities before it is able to deliver said properties to its customers.

As required by the applicable regulations, the Target Group provides, without charge, various certificates to the initial owners of residential units of the relevant projects, such as the "Residential User Manual*" (住宅使用説明書) and the "Residential Quality Guarantee*" (住宅質量保證書) against certain defects. The Target Group believes such certificates and warranty evidence its construction standards and have contributed to its high customer satisfaction rate.

The Target Group shall deliver properties to its customer on or before a delivery date specified on the sale and purchase agreement after the property development project has passed the requisite completion and inspections. However, if the Target Group fails to deliver the properties to the customer on such date of delivery, the Target Group is obliged to pay a compensation fee of a certain percentage of the purchase price. The proposed Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no material failure to deliver properties to its customers according to the agreed schedules due to the Target Group's fault.

The Target Group shall complete all necessary registration with the relevant authorities before such authorities can issue building ownership certificates and the Target Group also offers assistance to its customers for applying for the building ownership certificate by providing the requisite information to the local title registration office.

6.10 After-sales service

The Target Group provides comprehensive after-sales services, including assistance to the customers in respect of registration of the sale and purchase agreements, delivery of properties and obtaining property title certificates.

If the customers have any complaints in relation to the properties, they can file complaints through the property management company. The sales centre of the Target Group attends to customer complaints within two days. The proposed Directors confirm that the Target Group did not receive any material complaints from its customers during the Track Record Period and up to the Latest Practicable Date.

6.10.1 Warranties and returns

The Target Group provides warranties with respect to its properties in compliance with relevant regulatory requirements. In particular, the Target Group generally provides the following warranties, among others, for its residential properties:

- 5-year warranties for defects relating to waterproofing of property surfaces, walls, kitchens and bathrooms;
- 2-year warranties with respect to any peeling of wall surfaces and ceiling plasters, cracking of flooring and sanding of a large area, clogging of pipes; and
- 1-year warranties with respect to cracking of doors and windows, damage to metal hardware and the failure of security and intercom system.

All warranty periods commence on the day of the delivery of the relevant properties.

In general, the warranties provided by the Target Group are in line with the warranties which its construction contractors provide to the Target Group.

The Target Group does not provide warranties with respect to defects that are caused by third parties or improper use, defects resulting from natural disasters, equipment modified or installed after the delivery of properties, or indoor fragile items such as glass, mirrors, light bulbs and window sills.

The construction contractors of the Target Group are responsible for warranties in respect of their work and are required to maintain relevant quality standards. In general, the Target Group retains 3% or 5% of the total payment of a project as retention money for approximately two years or more after the completion of the construction works, which shall be used to cover any contingent expenses that may be incurred as a result of any construction defects. When construction defects arise and if the construction contractors cannot repair the defects in a timely manner, the Target Group may engage a separate contractor to repair the defects and deduct the costs incurred from the retention money. During the Track Record Period, no cost relating to maintenance work was paid by the Target Group. The proposed Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no incident where the retention money were less than the amount required to be paid to repair construction defects and there was no incident of deduction of retention money by the Target Group, therefore, no provisions are maintained with respect to warranties.

As a principle, the Target Group generally does not allow return of properties. However, the Target Group may allow for return of the properties under the following circumstances as determined on a case-by-case basis: (i) material delays in the delivery of the properties which exceed the periods stipulated in the relevant sale and purchase agreements; (ii) material quality defects with respect to the properties (such as material structural defects); (iii) material discrepancies in the GFA of the properties delivered as compared to the GFA stipulated in the sale and purchase agreements; or (iv) material changes made by the Target Group to the design of the properties which result in changes in areas such as property type, dimension and spatial orientation.

The proposed Directors confirm that there was no incident of return of properties due to the above-mentioned circumstances after the delivery of the properties during the Track Record Period and up to the Latest Practicable Date.

6.10.2 Property management services

During the Track Record Period, the Target Group engaged Changsha Fusheng, which was a wholly-owned subsidiary within the Target Group prior to its disposal during the year ended 31 December 2014, to provide property management services to each of the Target Group's projects. Typically, the relevant project company will enter into a property management agreement with such property management companies for a period of time up to the establishment of the ''Owners' Committee'' pursuant to the PRC laws and regulations. Upon its establishment, the ''Owners' Committee'' may choose a suitable property

management company on its own. The property management company will be responsible for all aspects of the daily management of the property, including security, cleaning, environmental maintenance and recruiting staff for the buildings.

7. CUSTOMERS

The customers of the Target Group are primarily individual purchasers in the PRC. During the years ended 31 December 2015 and 2016, the Target Group also had corporate customers which contributed a significant portion of its revenue. For the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017, the total revenue attributable to the five largest customers of the Target Group amounted to approximately RMB18.5 million, RMB130.6 million, RMB75.3 million and RMB18.1 million respectively, representing approximately 1.6%, 13.9%, 9.8% and 13.2% of the total revenue of the Target Group respectively. The Target Group's five largest customers for the year ended 31 December 2015 and the largest customer for the year ended 31 December 2016 were corporate customers principally engaged in construction or related business, construction material, trading or investment. The largest customer of the Target Group for the years ended 31 December 2015 and 2016 contributed approximately 5.2% and 5.9%, respectively, of the Target Group's revenue. The Target Group's five largest customers for the four months ended 30 April 2017 were individual customers that purchased one or two units from the Target Group for the same period, whereas the largest customer for the four months ended 30 April 2017 purchased one unit from the Target Group which contributed approximately 3.4% of the Target Group's revenue for the same period. No long term agreements had been entered into between the Target Group and its five largest customers during the Track Record Period. The proposed Directors confirm that the Target Group had no material disputes with its customers during the Track Record Period and up to the Latest Practicable Date.

To the best knowledge of the Directors and the proposed Directors, the Target Group's five largest customers during the Track Record Period are Independent Third Parties.

8. SUPPLIERS

The major suppliers of the Target Group consist of (i) main construction contractors for construction of buildings and civil engineering works; (ii) specialised contractors for fire protection works, landscaping and gardening works, power supply installations and distribution engineering works and natural gas pipeline facilities; and (iii) external design firms which are responsible for engineering design of the Target Group's property development projects.

For construction contractors, the Target Group maintains a list of approved contractors which is assessed and approved by the Target Group. The annual assessment, which will be conducted for including additional potential contractor to the list as well as for the Target Group's existing contractors, includes (i) evaluating contractors' recent performance; (ii) verifying whether the contractor has an approved quality assurance system and if the standard is appropriate to meet the job requirements; (iii) reviewing third party assessments or certification held by the contractors; (iv) assessing whether the contractor has sufficient resources and skills to fulfil the specific requirements; and (v) reviewing their requisite licences and registrations for construction works. The Target Group may select contractors from its approved contractors list based on their previous experience, skills, credit ratings,

awards, price quotations and historical work quality, or new contractors if the Target Group believes that such contractors are more suitable for the tasks. During the Track Record Period, the Target Group has not experienced any material delay in completing the construction works by its contractors, or any material delay in completing the property design by its external design firms.

For the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017, payments to the five largest suppliers of the Target Group amounted to approximately RMB147.4 million, RMB111.7 million, RMB388.3 million and RMB131.5 million, respectively, representing approximately 66.2%, 58.7%, 88.1% and 92.7% of the total payments under the Target Group's contracts with third party suppliers, respectively. No long-term contracts had been entered into between the Target Group and its five largest suppliers during the Track Record Period. However, the Target Group has developed business relationships with its five largest suppliers for approximately 1 year to 8 years. None of the five largest suppliers during the Track Record Period was also the major customers of the Target Group. The proposed Directors confirm that the Target Group had no material dispute with their suppliers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, the Target Group settled all purchases in RMB and all of them were settled by bank transfer. Most of the Target Group's purchases are construction fees paid to contractors and settled in accordance with stage of completion of the property development project.

The following table sets forth information on the five largest suppliers for each of the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017:

For the year ended 31 December 2014

Suppliers	**Corporate/ individual**	**Nature of services purchased by the Target Group**	**Purchases** *(RMB'000)*	**Percentage of total purchase of the Target Group**
Fujian Liujian Group	Corporate	Main construction works	104,249	46.9%
Supplier A	Corporate	Power supply installation works	23,390	10.5%
Supplier B	Corporate	Decoration works	10,062	4.5%
Supplier C	Corporate	Main construction works	6,273	2.8%
Supplier D	Corporate	Power distribution engineering works	3,400	1.5%
			147,374	66.2%

For the year ended 31 December 2015

Suppliers	Corporate/ individual	Nature of services purchased by the Target Group	Purchases *(RMB'000)*	Percentage of total purchase of the Target Group
Fujian Liujian Group	Corporate	Main construction works	80,756	42.5%
Supplier A	Corporate	Power supply installation works	19,000	10.0%
Supplier B	Corporate	Decoration works	4,379	2.3%
Supplier E	Corporate	Landscape construction works	4,280	2.2%
Supplier D	Corporate	Power distribution engineering works	3,253	1.7%
			111,668	58.7%

For the year ended 31 December 2016

Suppliers	Corporate/ individual	Nature of services purchased by the Target Group	Purchases *(RMB'000)*	Percentage of total purchase of the Target Group
Supplier F	Corporate	Main construction works	309,458	70.2%
Supplier C	Corporate	Main construction works	34,391	7.8%
Fujian Liujian Group	Corporate	Main construction works	30,496	6.9%
Supplier G	Corporate	Decoration works	7,764	1.8%
Supplier H	Corporate	Foundation works	6,190	1.4%
			388,299	88.1%

For the four months ended 30 April 2017

Suppliers	Corporate/ individual	Nature of services purchased by the Target Group	Purchases *(RMB'000)*	Percentage of total purchase of the Target Group
Supplier F	Corporate	Main construction works	120,108	84.6%
Supplier D	Corporate	Power distribution engineering works	3,912	2.7%
Supplier I	Corporate	Design works	2,667	1.9%
Supplier A	Corporate	Power supply installation works	2,496	1.8%
Supplier G	Corporate	Decoration works	2,366	1.7%
			131,549	92.7%

Three of the major suppliers of the Target Group during the Track Record Period, namely Fujian Liujian Group, Supplier C and Supplier F, had commenced business relationships with the Target Group since 2008, 2010 and 2015 respectively. Fujian Liujian Group is a connected person of the Target Group while Supplier C and Supplier F are Independent Third Parties. Since Fujian Liujian Group, Supplier C and Supplier F are class 1 main contractors for building construction works* (建築工程施工總承包一級), they are required to meet the following criteria: (i) not less than 300 staff working as construction technicians and economic management out of which not less than 200 staff as construction technicians; (ii) not less than RMB50 million in registered capital and not less than RMB60 million in net assets; and (iii) the contract sum for the largest construction in the previous 3 years should be not less than RMB200 million. The proposed Directors believe that it is common in the property development industry that the main construction contractors account for the largest percentage of total purchase. The above percentages of total purchases attributable to Fujian Liujian Group, Supplier C and Supplier F can be explained by the fact that the Target Group only had a few property development projects during each of the reporting periods and accordingly, only a few main construction contractors were required. There are many other main construction contractors similar to Fujian Liujian Group, Supplier C and Supplier F located at the same area where the Target Group's property projects are based, therefore, the Restructured Group will have access to alternative construction contractors and other suppliers through its tender process and accordingly, the proposed Directors consider that there will be no material risk of reliance on suppliers associated with the business operations of the Restructured Group. As required by the relevant PRC laws, the selection of these construction contractors with respect to certain construction projects must be carried out through a tender process. The proposed Directors confirm that the transactions with Fujian Liujian Group were conducted on normal commercial terms which are considered to be fair, reasonable and in the interest of the Target Group's shareholders as a whole and would not distort the Target Group's results of operations during the Track Record Period or make its historical results not reflective of its future

performance. In order to prepare for the Acquisition, Fujian Liujian Group will not enter into future tenders of the Target Group, and the Target Group has not entered into any new contracts with Fujian Liujian Group since September 2014. Since then, Fujian Liujian Group has continued to provide construction services to the Target Group under existing construction contracts entered into with the Target Group, and based on the Target Group's internal records, the works under these construction contracts were completed in November 2016, and there was no outstanding amount of construction contracts with Fujian Liujian Group as at 30 April 2017.

To the best knowledge of the Directors and the proposed Directors, save for Fujian Liujian Group, none of the Directors, the proposed Directors, their respective close associates, any of the Shareholders holding more than 5% of the Shares or any of the Target Company's shareholders holding more than 5% of its shares have any interest in any of the Target Group's five largest suppliers during the Track Record Period.

9. INSURANCE

As per the paragraph headed "(q) Insurance" in the "Regulatory overview" in Appendix II to this circular, there are no nationwide mandatory requirements in the PRC laws, regulations or rules requiring a real estate developer to maintain insurance for its real estate projects. During the Track Record Period, the Target Group did not maintain insurance coverage against potential losses or damages with respect to its properties before their delivery to customers. However, the Target Group has maintained insurance coverage against potential losses or damages with respect to certain properties in favour of a bank according to the terms of its bank loan agreement.

Pursuant to applicable PRC laws and regulations and the construction contracts entered into between the Target Group and its construction contractors, the construction contractors bear the primary civil liability for personal injuries arising out of its construction work. The State Administration of Work Safety* (國家安全生產監督管理總局) requires each construction contractor to purchase work-related injury insurance for their construction workers. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not experience any material damage to its property nor was any personal injury related claim brought against the Target Group.

In addition, the Target Group does not have insurance coverage against certain types of losses, such as losses due to earthquakes, nuclear contamination, typhoon, flooding, war and civil disorder, which are currently uninsurable in the PRC. The management of the Target Group believes that its practice is in line with the general practice in the PRC property development industry.

10. HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

10.1 Occupational health and safety

The Target Group is subject to the PRC laws and regulations regarding labour, safety and work-related incidents. The Target Group provides safety protection to its employees, which includes providing them with adequate safety equipment and ensuring that the construction sites have adequate precautionary measures.

The proposed Directors confirm that, during the Track Record Period and thereafter up to the Latest Practicable Date, the Target Group had been in compliance with the applicable PRC labour and safety regulations in all material respects and did not have any incident or complaint which had a material adverse effect on its operations. During the Track Record Period and thereafter up to the Latest Practicable Date, there had been no major accident that had resulted in the death or serious injury of the employees of the Target Group.

10.2 Environmental matters

The Target Group is subject to certain laws and regulations concerning the protection of the environment. As required by PRC laws and regulations, each property development project is required to undergo environmental assessments. An environmental impact assessment document prepared by external qualified agencies has to be submitted by the property developer to the relevant environmental authority for examination and approval before the relevant authority grants construction work commencement permit on the property development. In addition, each project developed by a property developer is also required to undergo an environmental inspection upon project completion by the relevant environmental authorities, to ensure compliance with applicable environmental standards and regulations before the property can be delivered to the purchasers.

During the Track Record Period, the Target Group incurred costs of RMB99,244, RMB60,000, nil and RMB22,150 for the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017 respectively in relation to compliance with applicable PRC environmental rules and regulations. The Target Group expects it will continue to incur compliance costs with respect to applicable environmental rules and regulations in Changsha.

11. COMPETITION

According to the "Industry overview" in Appendix I to this circular, the Target Group was one of the top 50 real estate enterprises in Changsha in 2016. The Target Group competes with other real estate developers based on a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors.

Due to the regional nature of the real estate industry, the Target Group's major competitors consist of property developers developing residential properties in Changsha. Some of the Target Group's competitors may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand. Increasing competition in this city may lead to an increase in competition for quality sites, land

acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities. The proposed Directors believe that the major entry barriers of other new incoming property developers to the property market in Changsha include limited knowledge of the local property market conditions and limited brand recognition amongst local buyers. For more information, please refer to the "Industry overview" in Appendix I to this circular. The proposed Directors believe that the Target Group's competitive strengths will enable the Restructured Group to maintain its position as one of the active market players in Changsha. Please refer to the paragraph headed "2. Competitive Strengths" in this section for more information on the Target Group's competitive strengths.

12. AWARDS AND RECOGNITIONS

The projects of the Target Group and its subsidiaries had received honours and awards from various provincial and local authorities in the PRC in recognition of their achievements. The table below sets forth the honours and awards that the Target Group had received in respect of its property development projects:

Honour/Award	Awarding body
2016 China Real Estate Ranking Most Liveable Real Estate* (2016 年度中國房產風雲榜年度宜居樓盤)	58.com, anjuke.com, ganji.com (58 同城、安居客、趕集網)
2016 Green Habitat Real Estate* (2016 年度綠色人居大盤)	Sina Leju.com (新浪樂居)
2015 Hunan Provincial Real Estate Annual Property Ranking Best Quality* (2015年度湖南房地產年度總評榜湖南最佳品質樓盤)	Hunan Daily Press New Media Centre and Changsha Municipal Real Estate Chamber of Commerce* (湖南日報社新媒體中心、長沙市房地產商會)
2015 Changsha Municipal Estate Chamber of Commerce Outstanding Member* (2015年度長沙市房地產商會優秀會員單位)	Changsha Municipal Real Estate Chamber of Commerce* (長沙市房地產商會)
2014 Gold Medal Enterprise for Integrity of Real Estate Developments* (2014年度湖南省房地產開發企業誠信經營十強)	Changsha Municipal Commission of Housing and Urban-Rural Development, Changsha Municipal Association of Real Estate Development and Changsha Municipal Real Estate Industry Association* (長沙市住房和城鄉建設委員會、長沙市房地產開發協會、長沙市房地產業協會)

Honour/Award	Awarding body
2014 Top 10 Hunan Provincial Real Estate Developers in Comprehensive Strength* (2014年度湖南省房地產開發企業綜合實力十強)	Hunan Provincial Real Estate Industry Association and Xiaoxiang Morning Herald Press* (湖南省房地產業協會、瀟湘晨報社)
2014 Top 10 Hunan Provincial Real Estate Developers with Steady Operation* (2014年度湖南省房地產開發企業穩健經營十強)	Hunan Provincial Real Estate Industry Association and Xiaoxiang Morning Herald Press* (湖南省房地產業協會、瀟湘晨報社)
55th of Top 100 Hunan Provincial Private Enterprises 2014* (2014年度湖南民營企業100強第55位)	Hunan Provincial Federation of Industry & Commerce* (湖南省工商業聯合會)
Most Respectable Xiangshang Enterprise* (最受尊敬的湘商企業)	Hunan Provincial Xiangshang Research Society, Strategy Forum Organising Committee of Xiangshang Developments, State-Owned Assets Supervision and Administration Commission of Hunan Province, Hunan Provincial Department of Culture, Hunan Academy of Social Sciences and Department of Transportation of Hunan Province* (湖南省湘商研究會、湘商發展戰略論壇組委會、湖南省國有資產監督管理委員會、湖南省文化廳、湖南省社會科學院、湖南省交通運輸廳)
2013 Top 100 Enterprises in Hunan Province* (2013年度湖南省百強企業)	Hunan Provincial Federation of Industrial Economics, Hunan Enterprise Federation and Hunan Entrepreneur Association* (湖南省工業經濟聯合會、湖南省企業聯合會、湖南省企業家協會)
2012 Gold Medal Unit for Integrity of Changsha Real Estate Developments* (2012年度長沙市房地產開發企業誠信等級評定金牌單位)	Changsha Municipal Commission of Housing and Urban-Rural Development, Changsha Municipal Association of Real Estate Development and Changsha Municipal Real Estate Industry Association* (長沙市住房和城鄉建設委員會、長沙市房地產開發協會、長沙市房地產業協會)

13. INTELLECTUAL PROPERTY

Fujian Fusheng Group has registered the trademarks containing brands "福晟" and "錢隆" in the PRC under Class 36 and Class 37. On 26 March 2015, Fujian Fusheng Group and Hunan Fullsun Group entered into the Trademark License Agreement pursuant to which Fujian Fusheng Group granted licences to Hunan Fullsun Group to use such trademarks. As at the Latest Practicable Date, the Target Group had not registered any trademark in the PRC itself. For details of such trademarks, please refer to the paragraph headed "B. Further information about the Restructured Group — 6. Intellectual property rights of the Restructured Group — Trademarks licensed by Fujian Fusheng Group" in the "Statutory and general information" in Appendix IX to this circular.

Fuzhou Fullsun Group has registered the trademarks containing brands "福晟", "錢隆", "福晟集團", "福晟國際", "Fullsun Group" and "Fullsun International" in Hong Kong under Class 19, Class 36 and Class 37. For details of such trademarks, please refer to the paragraph headed "B. Further information about the Restructured Group — 6. Intellectual property rights of the Restructured Group — Trademarks of the Target Group" in the "Statutory and general information" in Appendix IX to this circular.

As at the Latest Practicable Date, the proposed Directors were not aware of any material infringement, nor any pending or threatened claims in relation thereto, (i) by the Target Group of any intellectual property rights owned by third parties or (ii) by any third parties of any intellectual property rights owned by the Target Group.

14. EMPLOYEES

As at the Latest Practicable Date, the Target Group had a total of 84 employees in the PRC. The following table sets forth details of the numbers of employees by centre (similar function as a "department"):

Centres	**Number of employees**
Senior management	6
Investment and development	6
Design	6
Engineering	10
Cost management	8
Sales	10
Finance	19
Administration and human resources	13
Business development	6
Total	84

As required by applicable PRC laws and regulations, the Target Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity, work injury insurance and unemployment benefit plans. The Target Group is required under the PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and qualified allowances of its employees up to a maximum amount specified by the relevant local governmental authorities.

The Target Group provides various training schemes to its employees, including induction training for newly-joined employees and training on sales skills, project management and construction quality control. The proposed Directors believe that these training schemes would enable the employees to achieve their professional development goals and ensure the Target Group to maintain a leading position under competitive industrial environment.

As confirmed by the proposed Directors, the Target Group had complied with applicable employment laws and regulations in the PRC in all material respects and there had been no material labour related legal proceedings against the Target Group during the Track Record Period.

15. PROPERTIES FOR USE BY THE TARGET GROUP

15.1 Owned properties

As at the Latest Practicable Date, the Target Group owned two properties located in Changsha which were occupied by the Target Group as its ancillary offices with aggregate GFA of approximately 78.86 sq.m..

During the Track Record Period and up to the Latest Practicable Date, the Target Group had entered into contracts to obtain the rights to use six properties as car parks for accommodating the Target Group's own cars.

For more information, please refer to the "Property valuation of the Target Group" in Appendix VI to this circular.

15.2 Leased properties

As at the Latest Practicable Date, the Target Group leased a total of five properties in the PRC with an aggregate GFA of approximately 1,806 sq.m. as premises for office and business use. For more information, please refer to the "Property valuation of the Target Group" in Appendix VI to this circular.

16. LEGAL PROCEEDINGS AND COMPLIANCE

16.1 Legal proceedings

As certain members of the Target Group have pledged deposit to banks as security for mortgage loans applied by the customers, during the Track Record Period, the banks had deducted a total amount of RMB2,717,481 from the accounts of the relevant members of the Target Group as a result of the default in payment of the mortgage loans by the customers.

As at the Latest Practicable Date, among such total amount of RMB2,717,481, RMB2,036,769 had been recovered by the Target Group from the defaulting customers through litigation or arbitration proceedings and reconciliation with such customers, while an amount of RMB680,712 still remained unrecovered. As at the Latest Practicable Date, the Target Group was still in process of an arbitration proceeding to seek recovery of a total amount of RMB486,739 which could not be recovered through friendly negotiation. The Target Group will further negotiate with or commence arbitration/litigation proceedings against relevant defaulting customers for recovery of the remaining unrecovered amount of RMB193,973.

Save as disclosed above, during the Track Record Period, the proposed Directors confirm that the Target Group had not had any legal proceedings which had material adverse effect on its operations.

16.2 Compliance

16.2.1 Historical non-compliance incidents

The Target Group sets out below details of certain non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. The controlling shareholders have entered into the Deed of Indemnity with the Company to indemnify the Company and the Restructured Group against any losses, costs, expenses or other liabilities suffered by any member of the Restructured Group, arising out of or in connection with such non-compliance incidents.

16.2.2 Non-compliance regarding payment for social insurance and housing provident fund

The Target Group confirms that, upon accounting assessments, there were unpaid or underpaid premium for social insurance by some subsidiaries of the Target Group from April 2008 up to December 2014. As at 30 April 2017, the underpaid and unpaid premium for social insurance by the subsidiaries of the Target Group was in aggregate approximately RMB1.0 million.

In addition, there were unpaid or underpaid contributions for housing fund by some subsidiaries of the Target Group from April 2008 up to December 2014. As at 30 April 2017, the underpaid and unpaid contributions for housing provident fund by some subsidiaries of the Target Group was in aggregate approximately RMB0.2 million.

Pursuant to the Social Insurance Law* (社會保險法), an employer shall declare and make social insurance contributions in full and on time. Apart from mandatory exceptions such as force majeure, payment of social insurance should not be late, reduced or exempted. The contributions to be made by employees should be paid out of their salaries and made by the employer on behalf of the employees. If an employer does not pay the full amount of the social insurance contributions as scheduled, the social insurance authorities would order it to pay the outstanding contribution within a prescribed time limit together with an additional fine at the daily rate of 0.05% of such outstanding contribution accrued from the due date. If the payment is not settled by the prescribed time limit, such employer will be subject to a penalty of one to three times of the total outstanding contribution of the social insurances.

Pursuant to the Regulations on the Administration of Housing Provident Fund* (住房公積金管理條例), if an employer fails to make registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit. In the event that the employer fails to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. If an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre would order the employer to pay up the fund in the prescribed time limit. If the employer still fails to pay up the fund, the housing provident fund management centre may apply to the court for enforcement of the unpaid amount.

Upon consulting the relevant local governmental authorities, the Target Group, the PRC Legal Advisers and the Sponsor are given to understand that the relevant authorities will not accept the payment for the historical underpaid and unpaid premium for social insurance and housing provident fund as they have closed file for the previous years after annual inspection, and the possibility for the authorities to impose penalty on the Target Group for such historical non-compliance is low. The PRC Legal Advisers are of the view that the likelihood that the Target Group will be required to pay any penalties by local competent authorities thereto is low. As confirmed by the Target Group, during the Track Record Period and up to the Latest Practicable Date, the Target Group had not been subject to any order or penalty and no action has been taken by the governmental authorities in relation to social insurance or housing provident fund.

The non-compliances were mainly attributable to the Target Group's administration and human resources centre's inadequate understanding towards the relevant laws and regulations, failure to interpret the laws and regulations correctly and communicate with the proposed Directors in an accurate and timely manner and absence of standard guidelines to calculate the social insurance and housing provident fund contributions.

Save as disclosed above, the Target Group is of the view that there is no any other non-compliance incidents which are considered as material impact non-compliance or systemic non-compliance during the Track Record Period and up to the Latest Practicable Date. In addition, as at the Latest Practicable Date, save as disclosed in this circular, no material penalty for non-compliance with any laws or regulations of the PRC had been imposed on the Target Group and the Target Group has not received any notice of penalty or settlement of outstanding contributions from local authorities. As advised by the PRC Legal Advisers, save as disclosed above, upon their duly check, no violation of the applicable PRC laws and regulations is found in the Target Group regarding its business operating activities in material aspects during the Track Record Period and up to the Latest Practicable Date.

16.2.3 Specific measures adopted for non-compliance incidents

Upon being aware of the above-mentioned non-compliance incidents, the proposed Directors of the Target Group proactively adopted measures to rectify them. The proposed Directors confirmed that the Target Group has fully complied with the relevant laws and regulations from September 2015 at which time the Target Group also repaid the underpaid or unpaid premium for social insurance and housing provident fund for the previous months in

2015 as annual inspection for the year has not concluded yet. The Target Group further formulated enhanced internal control measures so as to ensure full compliance with the relevant laws and regulations in the future.

Internal control measures include the followings:

(i) policy has been set up that the Target Group shall make full contributions on social insurance and housing provident fund for and on behalf of its employees;

(ii) the finance centre shall be responsible for monitoring the contributions made by the administration and human resources centre and verifying the number of employees and the basis of contribution before making payments on a monthly basis;

(iii) the finance centre shall from time to time check and ensure the basis of contribution used in accounting record complies with the relevant laws and regulations; and

(iv) the finance centre shall carry out regular (semi-annually) check on the compliance with relevant laws and regulations as a part of the assessment of the internal control system.

The proposed Directors are of the opinion that such incidents do not constitute material non-compliances as (i) the non-compliance incidents did not and will not result in suspension of the operating licenses/permits of the Target Group; and (ii) the non-compliance incidents did not and will not have material financial impacts on the Restructured Group. The Target Group has already made provisions for the outstanding social insurance and housing provident fund contributions, and the potential penalty in relation to social insurance and housing provident fund will be indemnified by the controlling shareholders in accordance with the Deed of Indemnity, details of which is set out in the paragraph headed "I. Deed of Indemnity" in the "Statutory and general information" in Appendix IX to this circular; and (iii) the Target Group has taken remedial actions on the non-compliance incidents and has taken measures and implemented internal control policies to prevent the reoccurrence of the non-compliance incidents and ensure future compliance. The Sponsor concurs with the proposed Directors' views.

In view of (i) the non-compliance incidents were not due to dishonesty nor wilful intention of the proposed Directors; and (ii) upon being aware of the non-compliance incidents, the proposed Directors have taken all necessary steps to rectify the non-compliances and implemented internal control policies to prevent the reoccurrence of the non-compliance incidents and ensure future compliance, the Sponsor is of the view that (i) the proposed Directors are competent in ensuring regulatory compliance; and (ii) such non-compliance incidents do not cast any doubts on the proposed Director's integrity and accordingly, the proposed Directors are suitable to act as directors under Rules 3.08 and 3.09 of the Listing Rules.

16.3 Licenses and permits

The following table shows the major business licenses and qualifications held by the Target Group as at the Latest Practicable Date and their expiry dates:

Operating subsidiaries	Major business licenses and qualifications	Expiry date
Fuzhou Fullsun Group	Not applicable	Not applicable
Hunan Fullsun Group	Not applicable	Not applicable
Hunan Fullsun	Property Development Business Quality Certificate* (房地產開發企業資質證書) of Level 3 awarded by the Changsha Municipal Commission of Housing and Urban-Rural Development* (長沙市住房和城鄉建設委員會)	30 April 2018
Hunan Longxiang	Property Development Business Quality Certificate* (房地產開發企業資質證書) of Level 4 awarded by the Changsha Municipal Commission of Housing and Urban-Rural Development* (長沙市住房和城鄉建設委員會)	30 April 2018
Hunan Shengran	Property Development Business Quality Certificate* (房地產開發企業資質證書) of Level 4 awarded by the Changsha Municipal Commission of Housing and Urban-Rural Development* (長沙市住房和城鄉建設委員會)	30 April 2018
Hunan Weilong	Property Development Business Quality Certificate* (房地產開發企業資質證書) of Level 1 awarded by the Hunan Province Department of Housing and Urban-Rural Development* (湖南省住房和城鄉建設廳)	15 January 2020
Hunan Zhonglv	Property Development Business Quality Certificate* (房地產開發企業資質證書) of Level 3 awarded by the Changsha Municipal Commission of Housing and Urban-Rural Development* (長沙市住房和城鄉建設委員會)	30 April 2018
Fujian Fullsun Men Cheung	Not applicable	Not applicable
Fujian Fullsun Investment	Not applicable	Not applicable

As advised by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, the Target Group had duly completed, obtained, received or been granted, given, allowed the necessary approvals, registration, consents and permits regarding its business operating activities pertaining thereto, which are valid and subsisting.

16.4 Idle land

As advised by the PRC Legal Advisers, after reviewing the land use right grant contracts, land use right certificates and other construction documents of Target Group's property development projects in the PRC, nothing has come to their attention that would suggest that any land owned by the Target Group would be regarded as idle land, or as a result of which, the Target Group would be subject to any penalties or confiscation of land during the Track Record Period and up to the Latest Practicable Date.

16.5 Anti-bribery

Major internal control measures adopted by the Target Group to prevent bribery and kickbacks are as follows:

- The Target Group has established policies and procedures for anti-bribery;
- The Target Group has established a reporting channel including telephone hotline and email address for employee to report suspected violation of the Target Group's code of conduct including anti-bribery;
- The Target Group has conducted frequent trainings on anti-bribery to their employees; and
- The administration and human resources centre of the Target Group has established a dedicated team for anti-bribery matters. Such team will investigate and pay close attention to potential bribes in daily operations, and to be in charge of the anti-bribery telephone hotline, mail and email, and to receive anonymous and real-name reports and start internal investigations and assessments, and to report to the management in a timely manner with written records.

1. OVERVIEW

Upon SP Completion, Mr. Pan and Tongda will be the controlling shareholders, and they and their respective associates will constitute connected persons of the Company. Due to the financing arrangement as disclosed under the paragraph headed "2.2 Non-exempt continuing connected transactions" in this section, Daye Trust holds legal title to more than 10% equity interest in Hunan Fullsun, and will therefore become connected person of the Company at the subsidiary level upon SP Completion. Any transactions between the Restructured Group and Mr. Pan, Tongda, Daye Trust or their respective associates will constitute connected transactions or continuing connected transactions upon SP Completion. It is expected that, upon SP Completion, the following transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2. DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

2.1 Exempt continuing connected transactions

2.1.1 Trademark Licence Agreement

Fujian Fusheng Group is the registered owner of certain trademarks bearing "福晟" and "錢隆" brands. The property projects developed or operated by Hunan Fullsun Group as well as certain other property development projects owned by the Hunan Fullsun Group, are currently and will continue to be developed and marketed under the "福晟" and the "錢隆" brands.

On 26 March 2015, Fujian Fusheng Group and Hunan Fullsun Group entered into the Trademark Licence Agreement pursuant to which Fujian Fusheng Group granted licences to Hunan Fullsun Group to use certain trademarks bearing the "福晟" and "錢隆" brands on a royalty-free basis from the date of the Trademark Licence Agreement until the respective expiry date of the such trademarks, being 6 August 2021 and 13 September 2020, respectively. Under the Trademark Licence Agreement, prior to the expiration of the trademark registration, Fujian Fusheng Group shall apply for the renewal of the trademark registration and both parties shall negotiate for the renewal of the Trademark Licence Agreement. It is both parties' intention to renew the Trademark Licence Agreement for the renewed valid period of the trademark registration once the approval for the renewal of the trademark registration is obtained from Fujian Fusheng Group. The Sponsor and the Directors are each of the view that the entering into of the Trademark Licence Agreement for a period longer than three years promotes stability in operations and is beneficial to the Shareholders and believe that fixing the term of the Trademark Licence Agreement with reference to the respective expected expiry date of the trademarks for a period longer than three years would be considered to be in line with the normal business practices in the property development industry in the PRC. The Trademark Licence Agreement may be terminated by mutual agreement between the parties in writing before the intended date of termination. Please refer to the paragraph headed "B. Further information about the Restructured Group — 6. Intellectual property rights of the Restructured Group — (b) Intellectual property rights of the Target Group — Trademarks licensed by Fujian Fusheng Group" in the "Statutory and general information" in Appendix IX to this circular for further details of the trademarks licensed by Fujian Fusheng Group to the Restructured Group pursuant to the Trademark Licence Agreement.

Fujian Fusheng Group is owned indirectly as to 90% by Mr. Pan, one of the controlling shareholders upon SP Completion, therefore it will be a connected person of the Company after the SP Completion by way of being an associate of Mr. Pan. Accordingly, the transactions under the Trademark Licence Agreement will constitute continuing connected transactions of the Company after the SP Completion.

According to the terms of the Trademark Licence Agreement, the transactions contemplated thereunder will constitute *de minimis* continuing connected transactions fully exempt from Shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(a) of the Listing Rules.

2.1.2 Leasing Agreement

On 13 May 2015, Fujian Men Cheung entered into an agreement with Fuzhou Fullsun Group (the "**Leasing Agreement**"), pursuant to which the parties agreed to terminate the previous leasing arrangement in relation to the property located at 1st Floor, Block No. 5, Yi Jin Hua Ting, 19 Yang Qiao East Road, Gu Lou District, Fuzhou, PRC and Fujian Men Cheung has agreed to lease a portion of such property to Fuzhou Fullsun Group on a rent-free basis for a perpetual term. The Sponsor and the Directors are each of the view that the entering into of the Leasing Agreement for a period longer than three years promotes stability in operations of Fuzhou Fullsun Group, and hence, is beneficial to the Shareholders. The information about the leased property under the Leasing Agreement is as follows:

Premises:	A portion of 1st Floor, Block No. 5, Yi Jin Hua Ting, 19 Yang Qiao East Road, Gu Lou District, Fuzhou, PRC
Leased Area:	20 sq.m.
Usage:	Office premises

Fujian Men Cheung is owned indirectly as to 85% by Mr. Pan, one of the controlling shareholders upon SP Completion, therefore it will be a connected person of the Company after the SP Completion by way of being an associate of Mr. Pan. Accordingly, the transactions under the Leasing Agreement will constitute continuing connected transactions of the Company after the SP Completion.

According to the terms of the Lease Agreement, the transactions contemplated thereunder will constitute *de minimis* continuing connected transactions fully exempt from Shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(a) of the Listing Rules.

2.2 Non-exempt continuing connected transactions

Financial assistance arising from the Other Financing Arrangement

Background

The Target Group is principally engaged in property development in the PRC and requires external funding in its business operations. In addition to bank loans, the Target Group has obtained other financing with repurchase obligation from lenders which are generally trust companies or other financial institutions in the PRC. Such other financing with repurchase obligation is an alternative source of funds for property developers in the PRC and are available to borrowers in various forms, including equity transfers, capital injections, equity acquisition, shareholder loans, or secured entrusted loans (the "**Other Financing Arrangements**"). For more details of the Other Financing Arrangements, please refer to the section headed "Financial information of the Target Group — 10. Analysis of various items from the consolidated statements of financial position — 10.8 Other financing with repurchase obligation" in this circular.

During the Track Record Period, the Target Group had seven Other Financing Arrangements with repurchase obligation involving a transfer of equity interest and a pledge of the remaining equity interest in certain members of the Target Group to the relevant financial institutions to fund some of its property development projects. As of the Latest Practicable Date, one Other Financing Arrangement with Daye Trust remained in effect (the "**2016 Daye Trust Financing Arrangement**"). The Directors and proposed Directors expect the 2016 Daye Trust Financing Arrangement will continue to subsist after the SP Completion and will constitute continuing connected transactions for the Company after the SP Completion.

2016 Daye Trust Financing Arrangement

As a result of the 2016 Daye Trust Financing Arrangement, a maximum amount of available financing of RMB500 million (the "**Daye Trust Loan**") was provided by Daye Trust to Hunan Fullsun on 22 December 2016 for repayment of a loan owed to Bohai Banking Co., Ltd. Dalian Branch. The term of the Daye Trust Loan is 24 months and renewable with the consent of Daye Trust. The interest rate is 9% per annum for the first year and 10% per annum for the second year. To secure the performance and payment obligations of Hunan Fullsun in respect of the Daye Trust Loan, the following securities have been provided to Daye Trust, including:

(i) a pledge of 51% of the equity interest in Hunan Fullsun provided by Hunan Fullsun Group; and

(ii) a mortgage over the land use rights of four parcels of land located in Hunan Province together with the buildings and constructions erected thereon provided by Hunan Fullsun.

Under the 2016 Daye Trust Financing Arrangement, the equity interest in Hunan Fullsun transferred to Daye Trust is held as collateral to secure the repayment obligation of Hunan Fullsun. Meanwhile, the Daye Trust is obliged under the terms of the financing arrangement with repurchase obligation to transfer back to the Target Group such equity interests in Hunan Fullsun upon its repayment of the agreed amounts, comprising the principal and the fixed income return.

The proposed Directors have confirmed that:

(i) save for the relationships with the Target Group as set out above, each of Daye Trust and its ultimate beneficial owners is an Independent Third Party;

(ii) the Target Group retained power to govern the financial and operating policies of Hunan Fullsun so as to continue to benefit from their day-to-day operational activities; and

(iii) Daye Trust, on the other hand, does not have control over the management and operation of Hunan Fullsun and does not derive any earnings other than the fixed income return pursuant to the terms of the 2016 Daye Trust Financing Arrangement.

Under HKFRSs, the Target Group had treated Hunan Fullsun as its subsidiary with 100% effective equity interest during the Track Record Period and up to the Latest Practicable Date and the funding received from the 2016 Daye Trust Financing Arrangement was recorded as secured borrowings in the Target Group's financial statements. It follows that the equity interest in Hunan Fullsun had been transferred to Daye Trust solely by way of security as collateral for the secured borrowings under the 2016 Daye Trust Financing Arrangement. Accordingly, from the accounting perspective, Daye Trust has not, effectively, been considered as ''equity holder'' of Hunan Fullsun.

To the best knowledge of the proposed Directors, the principal business of Daye Trust is trust and financial management services.

Daye Trust regarded as connected person of the Target Group

Notwithstanding the above, as Daye Trust holds legal title to more than 10% equity interest in Hunan Fullsun, it is regarded as a connected person of the Company at the subsidiary level upon SP Completion pursuant to, and solely in relation to, the requirements under Chapter 14A of the Listing Rules. As such, any transaction entered into between the Restructured Group and Daye Trust will constitute a connected transaction for the Company after SP Completion and will be subject to the applicable reporting, announcement, annual review and independent Shareholders' approval (where applicable) requirements under Chapter 14A of the Listing Rules. The Directors and the proposed Directors expect the transactions contemplated under the 2016 Daye Trust Financing Arrangement to continue for a period of time after SP Completion and therefore constitute continuing connected transactions for the Restructured Group.

Implications under the Listing Rules

Despite that the financing with repurchase obligation as described above was granted by Daye Trust on an one-off basis, the repayment obligations of the Target Group and securities granted by the Target Group to Daye Trust in respect of the financial assistance provided to the Target Group by Daye Trust (who is also connected person) under the 2016 Daye Trust Financing Arrangement will continue for a period of time after SP Completion. As such, the 2016 Daye Trust Financing Arrangement will constitute continuing connected transactions for the Restructured Group. As Daye Trust is a connected person of the Company at the subsidiary level and in light of the view of the Directors (including the independent non-executive Directors) and the proposed Directors as described under the paragraph headed "3. The Directors' and the Sponsor's Views" in this section, the 2016 Daye Trust Financing Arrangement is subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. The Company will comply with the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules upon SP Completion.

3. THE DIRECTORS' AND THE SPONSOR'S VIEWS

The Directors (including the independent non-executive Directors) and the proposed Directors consider that the Trademark Licence Agreement, the Leasing Agreement and the 2016 Daye Trust Financing Arrangement have been entered into in the ordinary and usual course of business of the Restructured Group, on normal commercial terms, and are fair and reasonable and in the interest of the Shareholders as whole, and that the licence fee under the Trademark Licence Agreement, the rental fee under the Leasing Agreement, and the 2016 Daye Trust Financing Arrangement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Sponsor considers that the 2016 Daye Trust Financing Arrangement has been entered into and carried out (i) in the ordinary and usual course of business of the Restructured Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Sponsor is also of the view that the 2016 Daye Trust Financing Arrangement described under the paragraph headed "2.2 Non-exempt continuing connected transactions" in this section is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

1. BOARD OF DIRECTORS

The Board will consist of nine Directors[1] immediately following SP Completion, of whom six are executive Directors and three are independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of the business of the Restructured Group. The following table shows certain information of the Directors and their roles and responsibilities of the Company immediately following SP Completion:

Name	Age	Position/Title	Role and responsibilities	Date of appointment as a Director	Date of joining as a director/senior management of the Restructured Group
Mr. PAN Weiming (潘偉明)	53	Chairman and executive Director	Responsible for the overall corporate strategies formulation and management and investment and financing management of the Restructured Group	Date of SP Completion	17 October 2006
Mr. PAN Jungang (潘俊鋼)	47	Executive Director	Responsible for the overall business management and property development, design, engineering, sales management of the Restructured Group	Date of SP Completion	14 May 2009
Ms. CHEN Weihong (陳偉紅)	50	Executive Director	Responsible for commercial property management of the Restructured Group	Date of SP Completion	From 25 July 2007 to 2 August 2013 (rejoined as a director on 14 April 2015)
Mr. LI Jinrong (利錦榮)	42	Executive Director	Responsible for cost control management of the Restructured Group	Date of SP Completion	From 1 June 2008 to 30 November 2014 (rejoined as a director on 27 May 2015)
Mr. PAN Haoran (潘浩然)	26	Executive Director	Assisting the Board in investment and financing management	Date of SP Completion	12 December 2014

[1] Mr. Ng Cheuk Fan, Keith, an executive Director and the chairman of the Company and Mr. Xie Tom, an independent non-executive Director will resign upon SP Completion and therefore their names and details are not included in this section.

Name	Age	Position/Title	Role and responsibilities	Date of appointment as a Director	Date of joining as a director/senior management of the Restructured Group
Mr. TANG Kwok Hung (鄧國洪)	50	Executive Director	Responsible for the overall business management and overseeing the business operation of the Restructured Group	5 November 2013	Date of SP Completion
Mr. MAK Ka Wing, Patrick (麥家榮)	53	Independent non-executive Director	Serving as chairman of each of the Remuneration Committee and Nomination Committee and as a member of the Audit Committee; advising on corporate governance, connected transactions and other corporate and compliance matters	15 January 2009	Date of SP Completion
Mr. YUEN Chee Lap, Carl (源自立)	43	Independent non-executive Director	Serving as chairman of the Audit Committee and as a member of each of the Remuneration Committee and Nomination Committee; advising on corporate governance matters	Date of SP Completion	Date of SP Completion
Mr. YANG Xiaoping (楊小平)	64	Independent non-executive Director	Serving as member of each of the Audit Committee, Remuneration Committee and Nomination Committees; advising on corporate governance and compliance matters	Date of SP Completion	Date of SP Completion

1.1 Executive Directors

Mr. PAN Weiming (潘偉明先生) ("**Mr. Pan**"), aged 53, is proposed to be appointed as an executive Director and the Chairman of the Board immediately following SP Completion.

Mr. Pan founded the Target Group in 2006 and he is responsible for the overall strategic planning, corporate development, investment, overall operations and management of the Target Group since 2006. Mr. Pan has been a director of the Target Company since 12 December 2014. Prior to the establishment of the Target Group in 2006, Mr. Pan has been the executive director of GuangZhou YunXing Real Estate Development Group. Co., Ltd.* (廣州雲星房地產開發集團有限公司) ("**Guangzhou Yunxing**"), a real estate developer in the PRC, since March 1993, where he is responsible for overall management of Guangzhou Yunxing. He has been the president of Fujian Fusheng Real Estate Development Co., Ltd* (福建福晟房地產開

發有限公司) ("**Fujian Fusheng**"), a real estate developer in the PRC, since April 2004, where he is responsible for overall management of Fujian Fusheng. He has also been the president of Fusheng Group, a real estate developer in the PRC, since May 2007, where he is responsible for overall management, investment and operation management of Fusheng Group. He is currently:

- Honorary chairman of Fujian Institute of Branding Economic Development* (福建省海峽品牌經濟發展研究院榮譽院長) since 2009
- Vice chairman of Fuzhou Real Estate Association* (福州市房地產業協會副會長) since 2010
- Standing director of China Real Estate Association* (中國房地產協會常務理事) since 2010
- Chairman of Guangdong Chamber of Commerce In Fujian* (福建省廣東商會會長) since 2010
- Vice chairman of Fujian Enterprises and Entrepreneurs Confederation* (福建省企業與企業家聯合會常務副會長) since 2012
- Vice chairman of Fujian Real Estate Association* (福建省房地產協會副會長) since 2014
- Mr. Pan was a Deputy to the People's Congress of Guangzhou City* (廣州市人民代表大會代表) from 2012 to January 2017.

Mr. Pan has been named/awarded:

- Influential Person of China Real Estate (Fujian) 2006* (2006 中國(福建)房地產風雲人物) by Economic Cooperation Committee of China Real Estate Association* (中國房地產業協會經濟合作委員會), Construction Committee of China Council for the Promotion of International Trade* (中國國際貿易促進會建設行業分會房地產促進會) and China Real Estate Index System* (中國房地產指數系統)
- China Enterprises Data Base — Excellent Entrepreneur Award 2008* (2008 中國企業數據庫 — 優秀企業家) by China Enterprises Confederation* (中國企業聯合會) and China Enterprise Directors Association* (中國企業家協會)
- 10 Influential Persons of China Real Estate 2010* (2010 中國房地產十大風雲人物) and Excellent Entrepreneur of China Real Estate 2010* (2010 中國房地產優秀企業家) by U.N. Renju Environment Dev. Promotion* (聯合國人居環境發展促進會), China Association of Real Estate Developers* (中國房地產開發商協會), China Enterprise Sincerity Construction Work Association* (中國企業誠信建設工作協會), China Real Estate Plan Institute* (中國房地產策劃研究院), China Real Estate Brand Research Centre* (中國房地產品牌研究中心), and Commerce Times Brand Research Centre* (商務時報品牌研究中心)

- Hurun Report Achievement Award 2010 (2010 胡潤百富產業貢獻獎) by Hurun Report (胡潤百富)

- Hurun Report Real Estate Famous Celebrity Award 2010* (2010 胡潤百富地產名人榜) by Hurun Report (胡潤百富)

- 10 Outstanding Real Estate Golden Entrepreneur Awards for 2011* (2011 中國房地產十佳金牌企業家) by China Association of Real Estate Developers* (中國房地產開發商協會), China Enterprise Sincerity Construction Work Association* (中國企業誠信建設工作協會), China Promotion Society of Urban Development* (中國城市發展促進會), China Brand Management Centre* (中國品牌管理協會), China Real Estate Brand Research Centre* (中國房地產品牌研究中心) and Commerce Times Brand Research Centre* (商務時報品牌研究中心)

- China Real Estate Branding Achievement Award for 2011,2013 and 2014 (2011、2013、2014年度中國房地產品牌貢獻人物) by Enterprises Research Institute of Development Research Centre of the State Council* (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University* (清華大學房地產研究所), and China Index Academy (中國指數研究院)

- Chu Chiang Delta Excellent Entrepreneur Award 2011 (2011 泛珠區域優秀企業家) by Fujian Daily (福建日報社)

- China Real Estate Fashion Awards 2010 and 2011, being named The Most Influential Real Estate Person in China* and The Most Influential Person in China* respectively (2010中國地產風尚大獎—中國最具影響力地產人物及2011中國地產風尚大獎—中國最具影響力人物) by the organization committee of Boao Real Estate Forum* (博鰲房地產論壇組委會), and Guandian New Media* (觀點地產新媒體)

- Outstanding Contribution Award 2013 on Community Donation by a Businessman in the Private Sector in Fujian Province* (2013 福建省非公有制經濟人士捐贈公益事業突出貢獻獎) by Fujian Provincial People's Government* (福建省人民政府)

- Min Merchants Outstanding Contribution Award 2013 on Western Taiwan Straits Economic Zone Construction* (2013 閩商建設海西突出貢獻獎) by Fujian Provincial People's Government* (福建省人民政府)

- China New Real Estate Annual Innovation Driven Character 2013* (2013 中國新地產年度創新推動力人物) by China International Fair for Investment & Trade* (中國國際投資貿易洽談會) and the 4th Worldwide Chinese Merchants Real Estate Forum* (第四屆世界華商地產論壇)

- Top 100 National Industry Outstanding Contribution of the Private Entrepreneurs Award 2013* (2013 100位對民族產業貢獻卓著的民營功勛企業家) by China Industry & Commerce Magazine* (中國工商雜誌社), and Huashang Taolue Editing Committee* (華商韜略編輯委員會)

- The 15th Outstanding Entrepreneur in Fujian* (第十五屆福建省優秀企業家) by Fujian Federation of Enterprises and Entrepreneurs (福建省企業與企業家聯合會)

- China Real Estate Outstanding Character for 2014* (2014 中國房地產傑出人物) by China Real Estate Research Association* (中國房地產研究會), China Real Estate Association* (中國房地產業協會), and China Real Estate Assessment Centre* (中國房地產測評中心)

- Top 100 Real Estate Entrepreneurs Awards for 2013, 2014 and 2015* (2013、2014、2015中國房地產百強企業家) by China Real Estate Top 10 Research Group* (中國房地產Top 10研究組)

- Person with Contribution to the Top 100 Real Estate Enterprises in the PRC for 2017* (2017中國房地產百強企業貢獻人物) and Person with contribution to the Top 100 Real Estate in the PRC for 2016* (2016中國房地產百強貢獻人物) by China Real Estate Top 10 Research (中國房地產Top 10研究組)

- Top 10 China Real Estate Influential Branding Characters for 2014* (2014中國房地產十大影響力品牌人物) by World Federation of Chinese Associations of Industry and Commerce (世界華人工商業聯合會), China Association of Real Estate Developers* (中國房地產開發商協會), China Real Estate Brand Research Centre* (中國房地產品牌研究中心), and China Real Estate Plan Institute* (中國房地產策劃研究院)

Mr. Pan obtained a diploma in auditing from Guangzhou Open University (廣州市廣播電視大學) in the PRC in July 1988. Mr. Pan obtained an Intermediate Economist certificate* (中級經濟師) from the Professional Title Reform Office of Zhangzhou City* (漳州市職改辦) in December 2011. Mr. Pan is the spouse of Ms. Chen and is the father of Mr. Pan HR. Mr. Pan is the brother of Mr. Pan JG.

Mr. PAN Jungang (潘俊鋼先生) ("**Mr. Pan JG**"), aged 47, is proposed to be appointed as an executive Director immediately following SP Completion.

During the period from July 1994 to March 2006, Mr. Pan JG acted as military officer under the command of Guangzhou Military Area of the People's Liberation Army* (廣州軍區司令部) and the People's Liberation Army Hong Kong Garrison* (香港部隊司令部), respectively.

Mr. Pan JG joined the Target Group in May 2009 as a general manager of Hunan Weilong and was subsequently appointed as an executive director and was redesignated as a chairman of Hunan Weilong in April 2011 and May 2011, respectively, where he was responsible for the overall management of Hunan Weilong. He has been the chairman and general manager of Hunan Fullsun since May 2011, where he is responsible for the overall management of Hunan Fullsun. He has been the executive director of Hunan Fullsun Group since October 2011, where he is mainly responsible for the overall management of Hunan Fullsun Group.

Prior to joining the Target Group, Mr. Pan JG was the deputy general manager of Guangzhou Yunxing, a real estate developer in the PRC, from March 2006 to May 2007, where he was mainly responsible for the project management and sales management. Mr. Pan JG has been the vice president and chief executive officer of Fusheng Group, a real estate developer in the PRC, since May 2007, where he is mainly responsible for project development, design and engineering management of Fusheng Group.

Mr. Pan JG is currently:

- Executive President of Guangdong Chamber of Commerce In Fujian* (福建省廣東商會執行會長) since 2010
- Deputy to the Changsha Municipal People's Congress (長沙市人民代表大會代表) since 2012
- Vice president of Hunan Industry and Commerce Confederation* (湖南省工業經濟聯合會) since 2012
- Vice president of Hunan Enterprises Confederation* (湖南省企業聯合會) since 2012
- Vice president of Hunan Entrepreneurs Association* (湖南企業家協會副會長) since 2012
- Standing Committee member of Changsha Federation of Industry & Commerce*（長沙市工商業聯合會常委）

Mr. Pan JG has been named/awarded:

- Hunan Most Respected Entrepreneurs in 2010* (2010年湖南最受尊敬企業家) by the Promotion Office for Hunan Most Respected Entrepreneurs Event* (湖南最受尊敬企業推介活動辦公室)
- Excellent Entrepreneur of China Real Estate in 2012* (2012 中國優秀房地產企業家) by China Mainstream Media Real Estate Alliance* (中國主流媒體房地產聯盟)
- Annual Influential Character of Changsha Real Estate 2013* (2013長沙房地產年度影響力人物) by Changsha Real Estate Development Association* (長沙市房地產開發協會), and Changsha Real Estate Association* (長沙房地產業協會)
- Annual Excellent Leader of China Real Estate (Hunan) 2014* (2014年度中國湖南房地產優秀掌門人) by China Realty Research Centre (中國不動產研究中心), sohu.com (搜狐網) and focus.cn (搜狐焦點)
- Annual Most Influential Person of Changsha 2014* (2014年度長沙最具影響力風雲人物) by fang.com (房天下網)
- Person with Outstanding Contribution to Hunan Real Estate Industry in 2015* (2015年度湖南房地產行業傑出貢獻人物) by Hunan Daily Press New Media Centre* (湖南日報社新媒體中心) and Changsha Municipal Real Estate Chamber of Commerce* (長沙市房地產商會)

Mr. Pan JG obtained a bachelor's degree in Vietnamese study (越語) from People's Liberation Army University of Foreign Languages* (中國人民解放軍外國語學院) in the PRC in July 1994. He further completed the Real Estate Executives Program (房地產總裁高級研修班) from Tsinghua University (清華大學) School of Continuing Education (繼續教育學校) in October 2010. Mr. Pan JG is the brother of Mr. Pan.

Ms. CHEN Weihong (陳偉紅女士) ("**Ms. Chen**"), aged 50, is proposed to be appointed as an executive Director immediately following SP Completion.

From July 2007 to April 2011, Ms. Chen was an executive director of Hunan Weilong and was redesignated as a director for the period between May 2011 and August 2013. She was mainly responsible for the overall management of Hunan Weilong. Prior to joining the Target Group, Ms. Chen has been the general manager of Guangzhou Yunxing, a real estate developer in the PRC, since March 1993, where she is mainly responsible for the daily operation of Guangzhou Yunxing. From April 2004 to May 2007. She was the vice president of Fujian Fusheng, a real estate developer in the PRC, where she was mainly responsible for the daily operation of Fujian Fusheng. She has also been the vice president of Fusheng Group, a real estate developer in the PRC, since May 2007, where she is mainly responsible for the operation management and commercial property management of Fusheng Group.

Ms. Chen obtained a bachelor's degree in accounting from the Open University of China (中央廣播電視大學) in the PRC in April 2004. Ms. Chen further completed the Wharton & E-House (China) Real Estate Executive Program with the Wharton School of the University of Pennsylvania in April 2015. Ms. Chen obtained Intermediate Accountant certificate conferred by Minister of Finance of People's Republic of China in May 2000. Ms. Chen is the spouse of Mr. Pan and is the mother of Mr. Pan HR. Ms. Chen is the sister-in-law of Ms. Wu Jihong.

Mr. LI Jinrong (利錦榮先生) ("**Mr. Li**"), aged 42, is proposed to be appointed as an executive Director immediately following SP Completion.

From June 2008 to November 2014, Mr. Li was the general manager of Hunan Fullsun Group, where he was mainly responsible for the daily operation of Hunan Fullsun Group. Mr. Li has been the director of Fuzhou Fullsun Group since 27 May 2015, where he is mainly responsible for the cost control management of Fuzhou Fullsun Group. Prior to joining the Target Group, Mr. Li worked as an assistant to the general manager at Guangzhou Yunxing, a real estate developer in the PRC, from October 2001 to October 2004, where he was mainly responsible for the engineering management. He worked as an assistant to the president at Fujian Fusheng, a real estate developer in the PRC, from November 2004 to July 2005 and was promoted to vice president from July 2005 to May 2007, where he was mainly responsible for engineering management and cost management. Mr. Li has been the vice president of Fusheng Group, a real estate developer in the PRC, since May 2007, where he is mainly responsible for the cost management.

Mr. Li has been the vice executive president of Guangdong Chamber of Commerce In Fujian* (福建省廣東商會常務副會長) since 2010. Mr. Li obtained a bachelor's degree in finance and accounting from Renmin University (中國人民大學) in the PRC in June 1999. Mr. Li also finished real estate entrepreneurs MBA course in Sun Yat-sen University (中山大學) in May 2009 and the course for presidents of real estate development and finance from Peking University (北京大學) in October 2013, respectively.

Mr. PAN Haoran (潘浩然先生) ("**Mr. Pan HR**"), aged 26, is proposed to be appointed as an executive Director immediately following SP Completion.

Mr. Pan HR has been a director of the Target Company since 12 December 2014 and is mainly responsible for assisting the chairman in investment and financing management. He has been the chief investment officer of Fusheng Group since November 2014, where he is mainly responsible for assisting the president in investment and financing management. Mr. Pan HR obtained a bachelor's degree in economics from Jinan University (暨南大學) in the PRC in June 2013 and further obtained a master's degree in finance and accounting from the University of Sheffield in the United Kingdom in November 2014. Mr. Pan HR is the son of Mr. Pan and Ms. Chen.

Mr. TANG Kwok Hung (鄧國洪先生) ("**Mr. Tang**"), aged 50, has been appointed as an executive Director for the period from 1 February 2010 to 18 September 2013. Mr. Tang has been re-appointed as an executive Director with effect from 5 November 2013 and became the Chief Executive Officer of the Company with effect from 18 September 2014. Mr. Tang will resign as the Chief Executive Officer of the Company upon SP Completion. He obtained a Master's degree in Business Administration from the University of Manchester in the United Kingdom in June 2005 and a Bachelor's degree in Business Administration from Chinese University of Hong Kong in December 1989. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Management Accountants in the United States of America, a member of the Hong Kong Securities and Investment Institute, and an ordinary member of Hong Kong Institute of Real Estate Administrators.

Mr. Tang has five years of experience in general financial control and corporate matters before he joined an international property conglomerate listed in Hong Kong as the assistant to directors and finance manager in March 1995. He was responsible for accounting, finance and taxation matters. Mr. Tang then joined a private company as its financial controller and an executive director from February 2004 to October 2013 and was in charge of finance and corporate matters relating to property development.

1.2 Independent non-executive Directors

Mr. MAK Ka Wing Patrick (麥家榮先生) ("**Mr. Mak**"), aged 53, has been appointed as an independent non-executive Director with effect from 15 January 2009. He is also the chairman of each of the Remuneration Committee and Nomination Committee. He is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 15 years' legal experience as a practising solicitor. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws by the University of Hong Kong in 1998.

Mr. Mak has been appointed as an independent non-executive director of each of Fresh Express Delivery Holdings Group Co. Ltd. (formerly known as FU JI Food and Catering Services Holdings Limited) (stock code: 1175), Golden Shield Holdings (Industrial) Limited (in liquidation) (stock code: 2123), Convoy Global Holdings Limited (stock code: 1019) and Far East Holdings International Limited (stock code: 36) since 8 July 2013, 12 January 2015, 9 March 2017 and 18 July 2017 respectively. A winding up order against Golden Shield Holdings (Industrial) Limited (in liquidation) was made by the High Court of Hong Kong on

11 May 2015 and the Official Receiver was appointed as its Provisional Liquidator. The subject winding-up petition was filed by a former legal adviser to Golden Shield Holdings (Industrial) Limited (in liquidation) in respect of a claim of approximately HK$833,000.

Mr. Mak was an independent non-executive director of Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117) from 18 September 2013 to 15 July 2015.

Mr. YUEN Chee Lap, Carl (源自立先生) ("**Mr. Yuen**"), aged 43, graduated from the University of Houston, United States, where he attained a Bachelor's degree and a Master's degree in Business Administration in 1997 and 1998 respectively. Mr. Yuen is currently the financial controller of Courage Investment Group Limited (formerly known as Courage Marine Group Limited) (stock code: 1145), a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr. Yuen has rich experience in finance and accounting in Hong Kong, Singapore and the United States. Mr. Yuen commenced his career in the United States and served as an accountant in Russell-Stanley Corporation, an industrial containers manufacturing company in the United States, from 1999 to 2000. He then joined Greensmart Corp., a United States listed company in 2000 and served as chief financial officer from 2000 to 2003. During the period from November 2003 to June 2005, Mr. Yuen also served as the chief financial officer of Fantatech Inc., a company listed in the United States and principally engaged in design, manufacture, sale, construction, and operation of entertainment and amusement products for group audiences primarily in the PRC. Mr. Yuen joined Courage Investment Group Limited (formerly known as Courage Marine Group Limited) in 2004 and was appointed as financial controller in May 2006, where he is in charge of the company's finance and accounting controls as well as the company's reporting, SGX-ST and the Stock Exchange compliance.

Mr. Yuen has been an independent non-executive director of Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911), a company listed on the Main Board of the Stock Exchange since 29 February 2016.

Mr. Yuen was a director of Sharp Wealthy Limited, which is a company incorporated in Hong Kong in November 2003 and has not commenced any business activity since its incorporation. Sharp Wealthy Limited was dissolved in November 2006 by means of deregistration. Sharp Wealthy Limited was solvent at the time of its dissolution. Mr. Yuen confirmed that (i) there is no wrongful act on his part leading to such dissolution; (ii) such dissolution was mainly due to discontinue of business; (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of such dissolution, and (iv) that his involvement in Sharp Wealthy Limited was part and parcel of his services and that no misconduct or misfeasance had been involved in the dissolution.

Mr. Yuen is currently a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants.

Mr. YANG Xiaoping (楊小平先生) ("**Mr. Yang**"), aged 64, is proposed to be appointed as an independent non-executive Director immediately following SP Completion.

Mr. Yang has extensive experience in properties and construction industry. During the period from 2007 to 2015, Mr. Yang worked as a vice president at ETON Properties Group, a property company principally engaged in development of hotels and commercial buildings in Dalian and Xiamen, the PRC, where Mr. Yang was responsible for the management of the project development, including management of engineering design, cost control and marketing. From January 2005 to March 2007, he worked as a vice president of Hopson Development Holdings Limited (a PRC property developer listed on the Stock Exchange with stock code: 754) and the general manager of its Tianjin subsidiary Tianjin Hopson Zhujiang Real Estate Development Limited* (天津合生珠江房地產開發有限公司), where he was responsible for the management of the operation of the Tianjin subsidiary. From 2004 to 2005, Mr. Yang served as a vice president of China Overseas Property Group Co., Ltd. (中海地產集團有限公司), a leading state-owned property developer in the PRC, where he was responsible for engineering management and cost control. During the period from 2001 to 2004, Mr. Yang served as the general manager of China Overseas Land & Investment (Shanghai) Ltd.* (中海發展(上海)有限公司), a subsidiary of China Overseas Property Group Co., Ltd., where he was responsible for overall management. From 1994 to 2001, Mr. Yang worked respectively as a deputy general manager and the general manager of China Overseas Land & Investment (Guangzhou) Ltd.*. (中海發展(廣州)有限公司) a subsidiary of China Overseas Property Group Co., Ltd., where he was in charge of design, project management, cost control and marketing of the property projects developed by the company. From 1969 to 1994, Mr. Yang worked at the Second Construction Co., Ltd. of China Construction First Group* (中建一局集團第二建築有限公司). During the period from 1978 to 1994, he worked as the head of the production control division and was responsible for management of construction.

Mr. Yang graduated from East China University of Science and Technology (華東理工大學) (formerly known as Shanghai Institute of Chemical Engineering* (上海化工學院)) in 1978 majoring in Chemical Engineering. Mr. Yang attained the qualification of senior engineer accredited by China State Construction Engineering Corporation in 1994.

Each of the Directors will enter into a service contract or letter of appointment with the Company for a term of three years commencing from the date of SP Completion and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation.

Each of the Directors will be entitled to the amount of annual emolument for acting as the director of, committee member of and/or holding other positions with the Company or other members of the Group to be determined by the Remuneration Committee. Each of the executive Directors may also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to performance of each executive Director concerned and the Restructured Group's performance for the financial year concerned and based on the recommendation from the Remuneration Committee.

Save as disclosed above, each of the remaining Directors and proposed Directors confirms that he/she (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other positions with any member of the Restructured Group; and (iii) does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company or the Target Company nor any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, each of the remaining Directors and proposed Directors is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

2. SENIOR MANAGEMENT OF THE RESTRUCTURED GROUP

The following table sets forth information regarding the senior management of the Restructured Group following SP Completion:

Name	Age	Position	Roles and responsibilities	Date of appointment as the senior management of the Company	Date of joining as a director/senior management of the Restructured Group
Wu Jihong (吳繼紅女士)	47	Chief financial officer	Responsible for overseeing the accounting and financial matters of the Restructured Group	Date of SP Completion	27 May 2015

Ms. WU Jihong (吳繼紅女士) ("**Ms. Wu**"), aged 47, is proposed to be appointed as the chief financial officer of the Company immediately following SP Completion.

Ms. Wu has been the director of Fuzhou Fullsun Group since 27 May 2015, where she is mainly responsible for the investment and human resource management of Fuzhou Fullsun Group. Prior to joining the Target Group, Ms. Wu worked at second branch of Guangzhou City State Administration of Taxation (廣州國家税務局第二分局) as a clerk from July 1992 to December 1997. She worked as a financial controller from December 1997 to April 2000 at Guangzhou Dalu Chuangye Holdings Co., Ltd.* (廣州大陸創業控股有限公司), a company which is principally engaged in enterprise management, consultancy service, wholesale and retail trading and house leasing business. She worked as a senior finance manager from May 2000 to February 2003 at the South China regional headquarters of Guangzhou Lotus Supermarket Chain Store Co. Ltd* (廣州市易初蓮花連銷超市有限公司), formerly known as Guangzhou Zhengda Wankelong Co., Ltd.* (廣州正大萬客隆有限公司), a supermarket chain store. From March 2003 to June 2014, she held various positions including director, company secretary and vice president with Guangdong Pearl River Investment Co., Ltd.* (廣東珠江投資股份有限公司), a company principally engaged in real estate business. From February 2008 to October 2013, she held various positions including director and chief financial officer with Guangdong Pearl River Investment Holdings Group Co., Ltd.* (廣東珠江投資控股集團有限公

司), a company primarily engaged in enterprise management, consultancy service and investment for consultancy service business. From July 2012 to June 2014, Ms. Wu worked as a director of Guangdong Pearl River Education Investment Co., Ltd.* (廣東珠江教育投資有限公司). From June 2011 to April 2014, she was an audit committee member of Beijing Rural Commercial Bank Co., Ltd (北京農村商業銀行股份有限公司). She has been the vice president of Fusheng Group, a property developer in the PRC, since July 2014, where she is mainly responsible for the internal control, human resource management, legal management and investment management.

Ms. Wu obtained a bachelor's degree in finance from Central University of Finance and Economics (formerly known as Central School of Finance* 中央財政金融學院) in the PRC in June 1992. Ms. Wu obtained Accountant certificate conferred by Minister of Finance of People's Republic of China in May 1997. Ms. Wu is the sister-in-law of Ms. Chen.

3. COMPANY SECRETARY

Ms. CHAN Lo Sho (陳璐莎女士) ("**Ms. Chan**"), aged 42, has been the company secretary of the Company since 6 April 2016. Ms. Chan will be responsible for the secretarial matters of the Restructured Group.

Ms. Chan worked in Grant Thornton from September 2006 to April 2009 with her last position as senior accountant. She joined Sanfield (Management) Ltd. (a wholly-owned subsidiary of Sun Hung Kai Properties Ltd., listed on the Main Board (stock code: 0016)) in April 2010 and left as accounting officer in September 2015 before joining a subsidiary of the Company as group finance manager in October 2015.

Ms. Chan obtained the degree of Bachelor of Arts in Chinese Humanities from The Open University of Hong Kong in December 2000, Master of Arts in Professional Accounting and Information Systems from City University of Hong Kong in November 2005 and Master of Laws in International and Commercial Law from the University of Greenwich in October 2016. She is an associate member of the Hong Kong Institute of Certified Public Accountants.

4. BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. The table below sets out the membership information of these committees on which each Director serves immediately following SP Completion:

Board Committee Director	Audit Committee	Remuneration Committee	Nomination Committee
Chairman and Executive Director			
Mr. Pan Weiming			
Executive Directors			
Mr. Pan Jungang			
Ms. Chen Weihong			
Mr. Li Jinrong			
Mr. Pan Haoran			
Mr. Tang Kwok Hung			
Independent Non-executive Directors			
Mr. Mak Ka Wing, Patrick	M	C	C
Mr. Yuen Chee Lap, Carl	C	M	M
Mr. Yang Xiaoping	M	M	M

Notes:

C Chairman of the relevant Board committees

M Member of the relevant Board committees

4.1 Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Restructured Group and to review the Company's interim and annual reports and financial statements. The Audit Committee will consist of Yang Xiaoping, Mak Ka Wing, Patrick and Yuen Chee Lap, Carl and will be chaired by Yuen Chee Lap, Carl upon SP Completion. All of them are independent non-executive Directors.

4.2 Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies on or additional appointment to the Board and for senior management positions. Nominations of directors and senior management candidates by the Nomination Committee are based on considerations such as vacancy available, the candidate's competence and experience, possession of requisite skills and qualifications, independence and integrity. The Nomination Committee will consist of Yang Xiaoping, Mak Ka Wing, Patrick and Yuen Chee Lap, Carl and will be chaired by Mak Ka Wing, Patrick upon SP Completion. All of them are independent non-executive Directors.

4.3 Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and CG Code. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of all executive Directors and senior management of the Company, including benefits-in-kind, pension rights and compensation payments, and to advise the Board on the remuneration of the non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management of the Company, the Remuneration Committee will take into account the performance of the Restructured Group as well as individual Directors and senior management of the Company. The Remuneration Committee will consist of Yang Xiaoping, Mak Ka Wing, Patrick and Yuen Chee Lap, Carl and will be chaired by Mak Ka Wing, Patrick upon SP Completion. All of them are independent non-executive Directors.

5. REMUNERATION POLICY

It is expected that, upon SP Completion, the Restructured Group will be able to offer competitive remuneration packages to the Directors and senior management of the Company including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with their individual job duties, qualifications, performance and years of experience. The remunerations (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) paid to the Directors in aggregate for the three financial years ended 31 March 2015, 2016 and 2017 were approximately HK$1,519,000, HK$1,536,000 and HK$1,536,000, respectively.

The remunerations (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) paid to the Group's five highest paid individuals by the Group in aggregate for the three financial years ended 31 March 2015, 2016 and 2017 were approximately HK$1,093,000, HK$1,161,000, and HK$929,000, respectively.

Save as disclosed above, no emolument has been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the three financial years ended 31 March 2015, 2016 and 2017.

Under the current arrangements and on the assumption that the proposed Directors will be appointed upon SP Completion, the aggregate remuneration (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) estimated to be payable to the Directors for the financial year ending 31 March 2018 are approximately HK$2,340,000.

6. COMPLIANCE ADVISER

The Company has appointed Ample Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company, among others, in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases; and

(iii) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence upon SP Completion and end on the date on which the Company distributes its annual report in respect of its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the SP Completion.

1. CONTROLLING SHAREHOLDERS

With reference to the section headed ''Letter from the Board — Effect on Shareholding Structure of the Company'' in this circular, it is expected that the Vendor, which is wholly owned by Mr. Pan, will hold more than 50% of the enlarged issued share capital of the Company upon SP Completion. As such, the Vendor together with Mr. Pan will be regarded as the controlling shareholders upon SP Completion. For details of the controlling shareholders' background, please refer to the sections headed ''History and background of the Target Group'' and ''Directors and senior management of the Restructured Group'' in this circular.

2. COMPETITION

A. Business Overview of the Target Group

During the Track Record Period, the Target Group has been a property developer primarily focusing on development and sale of residential and commercial properties in Changsha, the capital city of Hunan Province in the PRC through its PRC Operating Subsidiaries.

As at 31 July 2017, the Target Group had a portfolio of 6 active property projects under various stages within the development cycle which comprised (i) 2 residential property projects, namely Qianlong Academy (錢隆學府) and Qianlong Premier Mansion (錢隆首府); (ii) 1 residential complex project, namely Qianlong Royal Family (錢隆世家); (iii) 2 residential and commercial complex projects, namely Qianlong Fine Art (錢隆樽品) and Qianlong International (錢隆國際); and (iv) 1 commercial project, namely Fullsun International Financial Centre (福晟國際金融中心), in Changsha, the capital city of Hunan Province in the PRC, with a total GFA of approximately 1,439,710 sq.m. Please refer to the section headed ''Business of the Target Group — 4. Property development projects of the Target Group'' in this circular for further details relating to the property development projects held by the Target Group.

B. Projects of the Excluded Companies

As at 31 July 2017, the controlling shareholders had a portfolio of 35 ongoing property projects under various stages of development which comprised 25 residential projects, 6 commercial projects and 4 residential and commercial complex projects through the Excluded Companies in the following provinces/cities: Fujian, Tianjin, Jiangsu, Guangdong and Henan (the ''**Excluded Projects**''). The status of these Excluded Projects can be classified into the following categories with references to their stages of development:

- *Reserved for future development* **(Stage I)**, refers to the status of the project where the relevant Excluded Company has successfully bid for land parcels through public tenders, auctions and listing-for-sale held by the local government and signed the relevant land use rights grant contracts with the relevant PRC land authority, or the controlling shareholders have acquired the relevant Excluded Company holding land use rights in relation to the land of the project, but has not obtained the requisite construction work commencement permits. In each case, the construction has not yet commenced;

- *Under development* **(Stage II)**, refers to the status of the project where the construction work commencement permit is received from the relevant local governmental authorities with respect to the property development but prior to the issuance of the completion and acceptance certificate; and

- *Completed* **(Stage III)**, refers to the status of the project where the completion and acceptance certificate is received from the relevant local governmental authorities with respect to the property development.

As at 31 July 2017, the total GFA of the Excluded Projects amounted to approximately 7,174,066 sq.m. (excluding projects No. 19, No. 34 and No. 35 listed below as the relevant projects have not had detailed construction plans yet) and based on the Excluded Companies' internal records, the total saleable GFA of the Excluded Projects which had not been sold or pre-sold amounted to approximately 3,023,004 sq.m. The table below shows details of each of the Excluded Projects as at 31 July 2017 and all figures in relation to area are rounded to the nearest whole number:

No.	City	Name of the projects	Project status	Name of the Excluded Company	Geographical location	Estimated total GFA *(sq.m.) (note 1)*	Estimated total saleable GFA *(sq.m.) (note 2)*	Actual/ Estimated construction period *(note 3)*	Project nature
1.	Fuzhou	福晟錢隆金山整盤 (Fusheng Qianlong Jinshan)	Stage III	福建瑋隆房地產開發有限公司 (Fujian Weilong Real Estate Development Co., Ltd.)	福州市倉山區建新鎮冠浦路6號 No. 6 Guanpu Road, Cangshan District, Fuzhou, Fujian Province	170,452	160,374	2007.3–2012.8	residential project
2.	Fuzhou	福晟錢隆御景整盤 (Fusheng Qianlong Yujing)	Stage III	福建晟隆房地產開發有限公司 (Fujian Shenglong Real Estate Development Co., Ltd.)	福州市晉安區新店鎮福飛北路189號 No. 189 Fufei Road, Xindian Village, Jinan District, Fuzhou, Fujian Province	113,488	108,505	2006.12–2012.5	residential project
3.	Fuzhou	福晟錢隆天下整盤 (Fusheng Qianlong Tianxia)	Stage III	福建福晟房地產開發有限公司 (Fujian Fusheng Real Estate Development Co., Ltd.) ("**Fujian Fusheng**")	福州市台江區五一南路28號 No. 28 South Wuyi Road, Taijiang District, Fuzhou, Fujian Province	35,171	34,815	2006.4–2009.11	residential project
4.	Fuzhou	福晟錢隆首府整盤 (Fusheng Qianlong Shoufu)	Stage III	Fujian Fusheng	福州市晉安區福馬路159號 No. 159 Fuma Road, Jinan District, Fuzhou, Fujian Province	61,037	59,909	2006.7–2011.6	residential project
5.	Fuzhou	福晟錢隆首座整盤 (Fusheng Qianlong Shouzuo)	Stage III	Fujian Fusheng	福州市晉安區象園街道連江中路196號 No. 196 Lianjiang Road, Jinan District, Fuzhou, Fujian Province	22,269	21,058	2008.7–2011.6	residential project

No.	City	Name of the projects	Project status	Name of the Excluded Company	Geographical location	Estimated total GFA *(sq.m.) (note 1)*	Estimated total saleable GFA *(sq.m.) (note 2)*	Actual/ Estimated construction period *(note 3)*	Project nature
6.	Fuzhou	福晟錢隆大第整盤 (Fusheng Qianlong Dadi)	Stage III	Fujian Fusheng	福州市晋安區王莊街道講堂路 Jiangtang Road, Jinan District, Fuzhou, Fujian Province	121,438	115,172	2011.8–2014.8	residential project
7.	Fuzhou	福晟國際中心整盤 (Fusheng International Centre)	Stage III	Fujian Fusheng	福州市晋安區福馬路與長樂路交叉口 The intersection of Fuma Road and Changle Road, Jinan District, Fuzhou, Fujian Province	80,224	78,375	2014.6–2016.4	commercial project
8.	Fuzhou	福晟錢隆廣場整盤 (Fusheng Qianlong Plaza)	Stage III	福晟錢隆廣場 (福建) 商業管理有限公司 (Fusheng Qianlong Plaza (Fujian) Business Management Co., Ltd.)	福州市台江區北江濱商務中心B9地塊 Land Plot No. B9 North Jiangbin business centre, Taijiang District, Fuzhou, Fujian Province	146,138	143,178	2012.9–2016.12	commercial project
9.	Fuzhou	福晟財富中心整盤 (Fusheng Fortune Centre)	Stage II	福建迅榮房地產開發有限公司 (Fujian Xunrong Real Estate Development Co., Ltd.)	福州市鼓樓區古田路60號 No. 60 Gutian Road, Gulou District, Fuzhou, Fujian Province	55,252	54,542	1998.11–2017.10	commercial project
10.	Fuzhou	福晟錢隆公館整盤 (Fusheng Qianlong Mansion)	Stage III	福州福晟房地產開發有限公司 (Fuzhou Fusheng Real Estate Development Co., Ltd.) ("**Fuzhou Fusheng**")	福州市閩侯縣上街鎮源通東路77號 No. 77 East Yuantong Road, Minhou County, Fuzhou, Fujian Province	58,187	55,997	2010.3–2014.5	residential project
11.	Fuzhou	福晟錢隆城 (Fusheng Qianlong City)	Stage III	Fuzhou Fusheng	福州市閩侯縣上街鎮源通東路136號 No. 136, East Yuantong Road, Minhou County, Fuzhou, Fujian Province	172,873	165,108	2010.9–2014.6	residential project

No.	City	Name of the projects	Project status	Name of the Excluded Company	Geographical location	Estimated total GFA *(sq.m.) (note 1)*	Estimated total saleable GFA *(sq.m.) (note 2)*	Actual/ Estimated construction period *(note 3)*	Project nature
12.	Fuzhou	福晟錢隆學府 (Fusheng Qianlong Xuefu)	Stage III	福建聯豐房地產開發有限公司 (Fujian Lianfeng Real Estate Development Co., Ltd.) ("**Fujian Lianfeng**")	福州市閩侯縣上街鎮源通東路118號 No. 118, East Yuantong Road, Minhou County, Fuzhou, Fujian Province	172,646	166,226	2008.4–2011.12	residential project
13.	Fuzhou	福晟錢隆樽品 (Fusheng Qianlong Zunpin)	Stage II	Fujian Lianfeng	福州市閩侯縣南通鎮洲頭村 Zhoutou Village, Nantong Town, Minhou County, Fuzhou, Fujian Province	254,814	248,765	2016.3–2018.11	residential project
14.	Fuzhou	福州衣錦華庭 (Fuzhou Yijin Huating)	Stage III	Fujian Men Cheung	福州市鼓樓區楊橋路19號 No. 19 Yangqiao Road, Gulou District, Fuzhou, Fujian Province	180,862	175,743	1999.2–2010.8	residential project
15.	Fuzhou	福晟•錢隆珠寶大廈 (Fusheng Qianlong Jewelry Building)	Stage II	福建誠信置業有限公司 (Fujian Chengxin Property Management Co., Ltd.)	福州市晋安區福馬路五里亭福馬路與珠寶路交界處 The intersection of Fuma Road and Zhubao Road, Jinan District, Fuzhou, Fujian Province	28,121	27,435	2015.11–2018.3	commercial project
16.	Fuzhou	福晟•華威錢隆奧體城 (Fusheng Huawei Qianlong Olympic City)	Stage II	福州華威置業有限公司 (Fujian Huawei Property Management Co., Ltd.)	福州市倉山區金洲南路南側，台嶼路西側，福灣路東側 The south of South Jinzhou Road, west of Taiyu Road and east of Fuwan Road, Cangshan District, Fuzhou, Fujian Province	137,082	136,405	2016.5–2018.4	commercial project
17.	Fuzhou	福晟中央美墅 (Fusheng Central Villa)	Stage I Stage II	福建華商房地產開發有限公司 (Fujian Huashang Real Estate Development Co., Ltd.)	福州市倉山區建新鎮梅亭村洪灣路東側 The east of Hongwan Road, Meiting Village, Jianxin Town Cangshan District, Fuzhou, Fujian Province	231,814	225,754	2016.9–2019.12	residential project
18.	Fuzhou	華潤福晟中心 (Huarun Fusheng Centre)	Stage I	華潤置地(福州)投資有限公司 (Huarun Land (Fuzhou) Investment Co., Ltd.)	福州市鼓樓區斗池路北側西二環中路西側 The north of Douchi Road and the west of West 2nd Ring Road, Gulou District, Fuzhou, Fujian Province	276,978	275,402	2017.9–2019.12	residential and commercial project

No.	City	Name of the projects	Project status	Name of the Excluded Company	Geographical location	Estimated total GFA *(sq.m.)* *(note 1)*	Estimated total saleable GFA *(sq.m.)* *(note 2)*	Actual/ Estimated construction period *(note 3)*	Project nature
19.	Fuzhou	螺洲小鎮地塊 (Land Parcel at Luozhou Village)	Stage I	福州首開瑞泰房地產開發有限公司 (Fuzhou Shoukai Ruitai Real Estate Development Co., Ltd.)	福州市倉山區南三環路以南，螺洲大橋東側 East side of Luozhou Bridge, the south of South Sanhuan Road, Cangshan District, Fuzhou, Fujian Province	N/A *(note 4)*	N/A	N/A	residential and commercial project
20.	Zhangzhou	錢隆學府 (Qianlong Xuefu)	Stage I Stage II Stage III	漳州福晟房地產開發有限公司 (Zhangzhou Fusheng Real Estate Development Co., Ltd.)	漳州市龍文區龍文北路西側，漳華路南北兩側 The west of Longwen Road, the south and north of Zhanghua Road, Longwen District, Zhangzhou, Fujian Province	1,611,238	1,525,214	2006.5–2019.7	residential project
21.	Zhangzhou	錢隆公館 (Qianlong Mansion)	Stage II	漳州瑋隆房地產開發有限公司 (Zhangzhou Weilong Real Estate Development Co., Ltd.)	漳州市龍文區北環城路以南、北倉路以北 The south of Beihuancheng Road, the north of Beicang Road, Longwen District, Zhangzhou, Fujian Province	266,611	257,808	2014.5–2018.11	residential project
22.	Zhangzhou	錢隆首府 (Qianlong Shoufu)	Stage III	福建錢隆置業有限公司 (Fujian Qianlong Property Co., Ltd.)	漳州市薌城區元光北路西側，漳華路北側 The west of Yuanguang Road, north of Zhanghua Road, Xiangcheng District, Zhangzhou, Fujian Province	197,573	193,669	2006.9–2013.8	residential project
23.	Zhangpu	錢隆首府北區 (Qianlong Shoufu North District)	Stage II	福建福晟錢隆房地產開發有限公司 (Fujian Fusheng Qianlong Real Estate Development Co., Ltd.)	漳浦縣綏安鎮鹿溪北岸(文昌路) The north shore of Jiangbin, Wenchang Road, Luxi Village, Suian Town, Zhangpu County, Zhangzhou, Fujian Province	239,580	232,933	2013.11–2018.6	residential project
24.	Zhangpu	錢隆首府南區 (Qianlong Shoufu South District)	Stage I Stage II	漳州錢隆房地產開發有限公司 (Zhangzhou Qianlong Real Estate Development Co., Ltd.)	漳浦縣綏安鎮鹿溪北岸(金浦大道) The north shore of Jiangbin, Jinpu Avenue, Luxi Village, Suian Town, Zhangpu County, Zhangzhou, Fujian Province	345,623	340,555	2014.12–2019.12	residential project

No.	City	Name of the projects	Project status	Name of the Excluded Company	Geographical location	Estimated total GFA *(sq.m.) (note 1)*	Estimated total saleable GFA *(sq.m.) (note 2)*	Actual/ Estimated construction period *(note 3)*	Project nature
25.	Zhangpu	錢隆濱海城 (Qianlong Binhai City)	Stage II Stage III	漳州福晟錢隆房地產開發有限公司 (Zhangzhou Fusheng Qianlong Real Estate Development Co., Ltd.)	漳浦縣杜潯鎮後姚村地段 Houyao Village, Duxun Town, Zhangpu County, Zhangzhou, Fujian Province	572,328	549,473	2011.7–2017.9	residential project
26.	Tianjin	錢隆學府 (Qianlong Xuefu)	Stage II Stage III	天津錢隆房地產開發有限公司 (Tianjin Qianlong Real Estate Development Co., Ltd.)	天津市津南區北閘口鎮津岐公路東側 The east of Jinqi Road, Beizhakou Town, Jinnan District, Tianjin	265,250	257,883	2011.9–2017.11	residential project
27.	Huaian	錢隆城 (Qianlong City)	Stage II Stage III	淮安福晟房地產開發有限公司 (Huaian Fusheng Real Estate Development Co., Ltd.)	淮安生態新城萬康路68號 No. 68 Wankang Road, Ecological New Town, Huaian, Jiangsu Province	368,124	358,082	2013.11–2020.6	residential project
28.	Zhengzhou	福晟謙祥錢隆城 (Fullsun Qianxiang Qianlong City)	Stage II	河南晟和祥實業有限公司 (Henan Shenghexiang Co., Ltd.)	鄭州市翠竹街以南，郁香路以西 The west of Yuxiang Road, the south of Cuizhu Street, Zhengzhou, Henan Province	163,703	159,736	2016.12–2019.9	residential project
29.	Fuzhou	福晟拓福廣場 (Fusheng Tuo Fu Plaza)	Stage II	福建拓福房地產有限公司 (Fujian Tuo Fu Real Estate Co., Ltd.)	福州市倉山區連江南路5號 No. 5, Lianjiang South Road, Cangshan District, Fuzhou, Fujian Province	109,122	108,825	2015.2–2018.12	commercial project
30.	Tianjin	美湖馨苑 (Mei Hu Xin Yuan)	Stage I Stage II	天津高建團泊星城投資有限公司 (Tianjin Gao Jian Tuan Bo Xing Cheng Investment Co., Ltd.) ("**Tianjin Gao Jian**")	天津市靜海縣團泊新城東區、仁愛東道西側 The east area of Tuan Bo Hu Xin Cheng and west of Ren Ai Dong Dao, Jinghai County, Tianjin	194,976	169,445	2017.8–2021.11	residential project
31.	Tianjin	美湖瀾苑 (Mei Hu Lan Yuan)	Stage I Stage II	Tianjin Gao Jian	天津市靜海縣團泊新城東區、仁愛東道西側 The east area of Tuan Bo Hu Xin Cheng and west of Ren Ai Dong Dao, Jinghai County, Tianjin	119,437	111,284	2017.7–2022.11	residential project

No.	City	Name of the projects	Project status	Name of the Excluded Company	Geographical location	Estimated total GFA *(sq.m.) (note 1)*	Estimated total saleable GFA *(sq.m.) (note 2)*	Actual/ Estimated construction period *(note 3)*	Project nature
32.	Tianjin	美湖雅苑 (Mei Hu Ya Yuan)	Stage I Stage II Stage III	天津高建團泊湖投資有限公司 (Tianjin Gao Jian Tuan Bo Hu Investment Co., Ltd.)	天津市靜海縣團泊新城東區、東次幹道二東側 The east area of Tuan Bo Xin Cheng and east of Dong Ci Gan Dao Er, Jinghai County, Tianjin	224,609	213,872	2015.12–2023.12	residential project
33.	Huizhou	惠州原合項目 (Huizhou Yuan He Project)	Stage I	惠州市原合房地產有限公司 (Huizhou Yuan He Real Estate Development Co., Ltd.)	惠州市陳江街道辦事處 Chenjiang Street neighborhood office, Huizhou, Guangdong Province	177,048	173,332	2017.9–2019.6	residential and commercial project
34.	Fuzhou	錢隆御品 (Qianlong Yupin)	Stage I	福建福晟隆祥房地產開發有限公司 (Fujian Fusheng Longxiang Real Estate Development Company Limited)	福州市閩侯縣南通鎮陳厝村 Chencuo Village, Nantong Town, Minhou County, Fuzhou City, Fujian Province	N/A *(note 4)*	N/A	N/A	residential and commercial project
35.	Ningde	寧德東蘭項目 (Ningde Donglan Project)	Stage I	寧德福晟房地產開發有限公司 (Ningde Fusheng Real Estate Development Company Limited)	福建省寧德市東蘭組團閩東東路南側 The south of Mindong East Road, Donglan Zu Tuan, Ningde City, Fujian Province	N/A *(note 4)*	N/A	N/A	residential project

Notes:

(1) Estimated total GFA includes saleable/rentable areas, car parks and ancillary facilities and other areas which are non-saleable/rentable. Ancillary facilities and others include ancillary facilities, public areas and stilt floor (if any). Except for 3 Excluded Projects, namely No. 14 Fuzhou Yijin Huating, No. 17 Fusheng Central Villa and No. 18 Huarun Fusheng Centre, of which the estimated total GFA is based on the Excluded Companies' estimation, all estimated total GFA is based on the preliminary master plan (規劃總平面圖).

(2) Estimated total saleable GFA includes saleable/rentable areas and car parks.

(3) Actual/estimated construction period comprises the period between actual/estimated construction commencement date and actual/estimated construction completion date. The actual construction commencement date is based on the construction work commencement permits of the first building or basement of the whole phase. Estimated construction commencement date is based on the Excluded Companies' current estimation. The construction completion date represents the completion date of the whole phase. Certain properties within the phase may have been completed before that date. Actual construction completion date is based on the completion and acceptance certificate. Estimated construction completion date is based on the Excluded Companies' current estimation.

(4) The relevant project details are not available as no detailed construction plan has been adopted.

Based on the unaudited accounts of the Excluded Companies (not including the Excluded Companies for projects from No. 15 to No. 19 and No. 28 to No. 35 above as the relevant companies or the relevant projects were purchased after 31 December 2014 but including Tianjin Wanzhao Fuyang Investment Co., Ltd. which was disposed of on 15 August 2016 and Fuan Zhongyang Tianrun Real Estate Development Co., Ltd (the controlling shareholders ceased to be interested in 30% or more of its equity interest in April 2017)), the unaudited total revenue and net profits generated by the Excluded Companies for the year ended 31 December 2014 were approximately RMB3,016.0 million and approximately RMB301.1 million, respectively, and the unaudited total assets and net assets of the Excluded Companies were approximately RMB16,632.7 million and RMB4,166.9 million, respectively, as at 31 December 2014.

Based on the unaudited accounts of the Excluded Companies (not including the Excluded Companies for projects from No. 17 to No. 19 and No. 28 to No. 35 above as the relevant companies or the relevant projects were purchased after 31 December 2015 but including Tianjin Wanzhao Fuyang Investment Co., Ltd. which was disposed of on 15 August 2016 and Fuan Zhongyang Tianrun Real Estate Development Co., Ltd (the controlling shareholders ceased to be interested in 30% or more of its equity interest in April 2017)), the unaudited total revenue and net profits generated by the Excluded Companies for the year ended 31 December 2015 were approximately RMB1,775.5 million and RMB193.3 million, respectively, and the unaudited total assets and net assets of the Excluded Companies were approximately RMB13,478.8 million and RMB4,458.0 million, respectively, as at 31 December 2015.

Based on the unaudited accounts of the Excluded Companies (not including the Excluded Companies purchased after 31 December 2016 for projects from No. 33 to No. 35 and Tianjin Wanzhao Fuyang Investment Co., Ltd. which was disposed of on 15 August 2016 but including Fuan Zhongyang Tianrun Real Estate Development Co., Ltd. (the controlling shareholders ceased to be interested in 30% or more of its equity interest in April 2017)), the unaudited total revenue and net profits generated by the Excluded Companies for the year ended 31 December 2016 were approximately RMB2,434.2 million and RMB249.3 million, respectively, and the unaudited total assets and net assets of the Excluded Companies were approximately RMB19,587.4 million and RMB4,910.8 million, respectively, as at 31 December 2016.

Based on the unaudited accounts of the Excluded Companies (not including Tianjin Wanzhao Fuyang Investment Co., Ltd. which was disposed of on 15 August 2016 and Fuan Zhongyang Tianrun Real Estate Development Co., Ltd. (the controlling shareholders ceased to be interested in 30% or more of its equity interest in April 2017)), the unaudited total revenue and net profits generated by the Excluded Companies for the four months ended 30 April 2017 were approximately RMB1,765.3 million and RMB212.5 million, respectively, and the unaudited total assets and net assets of the Excluded Companies were approximately RMB26,323.4 million and RMB5,182.4 million, respectively, as at 30 April 2017.

During the Track Record Period, based on the PRC Legal Advisers' investigation on the Excluded Companies (except for Huarun Zhidi (Fuzhou) Investment Co., Ltd. and Fuzhou Shoukai Ruitai Real Estate Development Co., Ltd.), none of the Excluded Companies are in material violation of PRC laws and regulations with respect to the corporate history, business qualifications, tax and the developed construction projects save for Huizhou Yuan He Real

Estate Development Co., Ltd. ("**Huizhou Yuan He**") which was acquired after 31 December 2016, and each of the Excluded Companies is validly existing. As at the Latest Practicable Date, Huizhou Yuan He was applying for Property Development Business Quality Certificate* (房地產開發企業資質證書), and there was non-compliance with the Measures on Disposing Idle Land (《閒置土地處置辦法》) with respect to a piece of land owned by it (the "**Non-compliance Incident**"). As confirmed by a representative of Huizhou Yuan He, the relevant PRC governmental authorities had not imposed any fines or penalty or ordered Huizhou Yuan He to forfeit the land regarding the Non-compliance Incident till the Latest Practicable Date. As for Huarun Zhidi (Fuzhou) Investment Co., Ltd. and Fuzhou Shoukai Ruitai Real Estate Development Co., Ltd., the associates of an Excluded Company by way of holding a 30% equity interest, they are validly existing. Further, as confirmed by Huarun Zhidi (Fuzhou) Investment Co., Ltd. and Fuzhou Shoukai Ruitai Real Estate Development Co., Ltd., they do not have any projects under construction. Furthermore, the PRC Legal Advisers are not aware of relevant regulatory or other material impediments in the PRC preventing the inclusion of the Excluded Companies in the Fuzhou Fullsun Group.

In relation to the compliance status of the Excluded Companies and the property projects held by them, the Sponsor has conducted independent due diligence works which include the followings: (i) obtained and reviewed the due diligence report on the Excluded Companies issued by the PRC Legal Advisers; (ii) obtained and reviewed the corresponding operational licenses, permits, approvals, certificates of the Excluded Companies; and (iii) conducted litigation search on the Excluded Companies via third-party investigation agent, and did not notice any on-going material legal proceedings against the Excluded Companies.

Having considered the aforementioned due diligence works for the Excluded Companies, except for Huarun Zhidi (Fuzhou) Investment Co., Ltd. and Fuzhou Shoukai Ruitai Estate Development Co., Ltd., the Sponsor is not aware that they are in material violation of PRC laws and regulations with respect to the corporate history, business qualifications, tax and the developed construction projects except for Huizhou Yuan He, and has no reasonable doubt on their validity of existence. Regarding the aforementioned Non-compliance Incident, the representative of Huizhou Yuan He further confirmed that after obtaining the relevant certificates and permits, it will soon commence development of the project of Huizhou Yuan He. As for Huarun Zhidi (Fuzhou) Investment Co., Ltd. and Fuzhou Shoukai Ruitai Estate Development Co., Ltd., the associates of an Excluded Company by way of holding a 30% equity interest, based on the available documents, the Sponsor has no reasonable doubt on their validity of existence.

C. Reasons for excluding the Excluded Projects in the Acquisition

As at 31 July 2017, the controlling shareholders had 35 Excluded Projects in the following provinces/cities: Fujian, Tianjin, Jiangsu, Guangdong and Henan. The Company and the Vendor have agreed to inject only the projects located in Changsha into the Company for the following reasons:

Excluded Projects in Fujian

- *Completed projects*

As at 31 July 2017, the controlling shareholders had 28 Excluded Projects in Fujian Province. Among these 28 Excluded Projects, 7 of them namely: Fuzhou Fusheng Qianlong Jinshan, Fuzhou Fusheng Qianlong Yujing, Fuzhou Fusheng Qianlong Mansion, Fuzhou Fusheng Qianlong City, Fuzhou Fusheng Qianlong Xuefu, Fuzhou Yijin Huating, and Zhangzhou Qianlong Shoufu are categorised as stage III projects ("**Fujian stage III Projects**"). The Fujian stage III Projects were not taken because, at the time of the commencement of the Acquisition in 2015, each of the Fujian stage III Projects had already been substantially completed. It was considered not necessary to inject these projects to the Target Group as the relevant Excluded Companies being the holding companies of such Fujian stage III Projects were established solely for the purpose of developing their respective Fujian stage III Projects and no further development projects would be undertaken by them following completion of the Fujian stage III Projects. In addition, as at 31 July 2017, the aggregate unsold saleable GFA of these projects only amounted to approximately 57,124 sq.m., representing approximately 5.57% of total estimated saleable GFA of the Fujian stage III Projects. Accordingly, 7 out of 28 projects in Fujian Province are excluded from the Acquisition and the property portfolio of the Target Group.

- *Shareholder's consent*

Among the 28 Excluded Projects in Fujian Province, the equity interest of the relevant Excluded Companies being the holding companies of 7 Excluded Projects were, at the time of the commencement of the Acquisition in 2015, also held by independent minority shareholders and hence minority shareholders' consents were required for the transfer of the relevant attributable interests in such projects. The controlling shareholders were not able to obtain the consents from the independent minority shareholders for the following 7 Excluded Projects, namely: Fuzhou Fusheng Qianlong Plaza; Fuzhou Fusheng Qianlong Zunpin; Zhangzhou Qianlong Xuefu; Zhangzhou Qianlong Mansion; Zhangpu Qianlong Shoufu North District, Zhangpu Qianlong Shoufu South District; and Zhangpu Qianlong Binhai City. Accordingly, these 7 Excluded Projects are excluded from the Acquisition and the property portfolio of the Target Group.

As at 31 July 2017, the following 5 Excluded Projects namely: Fuzhou Fusheng Qianlong Tianxia (stage III), Fuzhou Fusheng Qianlong Shouzuo (stage III), Fuzhou Fusheng Qianlong Shoufu (stage III), Fuzhou Fusheng Qianlong Dadi (stage III) and Fuzhou Fusheng International Centre (stage III) are held by Fujian Fusheng ("**Fujian Fusheng Excluded Projects**"). As 49% of the equity interest in Fujian Fusheng was, at

the time of the commencement of the Acquisition in 2015, held by an independent minority shareholder namely Shenzhen Fangsheng Ruixing Investment Management LLP (深圳方盛瑞興投資管理合夥企業) ("**Fangsheng Ruixing**"), consent from Fangsheng Ruixing was required for the transfer of the attributable interests in Fujian Fusheng Excluded Projects. Fangsheng Ruixing has indicated to the controlling shareholders that they would not consent to such transfer. Accordingly, all Fujian Fusheng Excluded Projects are excluded from the Acquisition and the property portfolio of the Target Group.

As 49% of the equity interest in Fujian Tuo Fu Real Estate Co., Ltd. which owns Fusheng Tuo Fu Plaza is held by Fujian Tuo Fu Asset Management Co., Ltd.* (福建拓福資產管理有限公司), an independent minority shareholder, consent from Fujian Tuo Fu Asset Management Co., Ltd. is required for the transfer of the attributable interest in Fusheng Tuo Fu Plaza. Fujian Tuo Fu Asset Management Co., Ltd. has indicated to the controlling shareholders that it would not consent to such transfer. Accordingly, Fusheng Tuo Fu Plaza is excluded from the Acquisition and the property portfolio of the Target Group.

- *Management inseparability*

The senior management teams of the Excluded Companies are divided by geographical locations. The relevant Excluded Companies and the Excluded Projects located in the same province share the same senior management team. Six Excluded Projects located in Fujian Province, namely, Fuzhou Fusheng Fortune Centre, Fuzhou Fusheng Qianolong Jewelry Building, Fuzhou Fusheng Huawei Qianlong Olympic City, Fusheng Central Villa, Qianlong Yupin and Ningde Donglan Project, share the same senior management team with other 23 Excluded Projects (excluding Huarun Fusheng Centre, the land parcel located at Fuzhou Luozhou Village and Fusheng Tuo Fu Plaza) located in Fujian Province not to be included in the Acquisition. It is difficult, if not impossible, to separate the core senior management team which only consists of 5 members from the other 23 Excluded Projects (excluding Huarun Fusheng Centre, the land parcel located at Fuzhou Luozhou Village and Fusheng Tuo Fu Plaza) and they are therefore excluded from the Acquisition.

- *Minority interest*

The equity interest of the Excluded Projects namely Huarun Fusheng Centre and the land parcel located at Fuzhou Luozhou Village were held only as to 30% by the respective Excluded Companies and the remaining 70% was held by independent controlling shareholders and hence the controlling shareholder's consent was required for the transfer of the relevant attributable interests in such project. In addition, the relevant Excluded Companies held 30% equity interest in Huarun Fusheng Centre and the land parcel located at Fuzhou Luozhou Village purely for investment purposes and was not involved in the management of such project. Accordingly, Huarun Fusheng Centre and the land parcel located at Fuzhou Luozhou Village are excluded from the property portfolio of the Target Group.

Considering the factors set out above, all of the 28 Excluded Projects in Fujian Province are excluded from the Acquisition.

Excluded Projects in Tianjin

As at 31 July 2017, the controlling shareholders had 4 Excluded Projects in Tianjin namely Tianjin Qianlong Xuefu, Mei Hu Xin Yuan, Mei Hu Lan Yuan and Mei Hu Ya Yuan.

As 51.4% of the equity interest in Tianjing Qianlong Real Estate Development Co., Ltd., which owns Tianjin Qianlong Xuefu project, is held by an independent shareholder, Fujian Jiuding Co., Limited (福建九鼎實業有限公司) ("**Fujian Jiuding**"), and the controlling shareholders hold a minority equity interest at the material time during the Track Record Period, consent from Fujian Jiuding is required for the transfer of the attributable interests in Tianjin Qianlong Xuefu. Fujian Jiuding has indicated that it would not consent to such transfer. Accordingly, Tianjin Qianlong Xuefu is excluded from the Acquisition and the property portfolio of the Target Group.

As 35% of the equity interest in each of Tianjin Gao Jian and Tianjin Gao Jian Tuan Bo Hu Investment Co., Ltd., which owns Mei Hu Xin Yuan and Mei Hu Lan Yuan, and Mei Hu Ya Yuan respectively, is held by Fujian Da Hua Rui Cheng Concrete Components Co., Ltd.* (福建大華瑞晟混凝土構件有限公司) ("**Fujian Da Hua**"), an independent minority shareholder, consent from Fujian Da Hua is required for the transfer of the attributable interest in each of Mei Hu Xin Yuan, Mei Hu Lan Yuan and Mei Hu Ya Yuan. Fujian Da Hua has indicated to the controlling shareholders that it would not consent to such transfer. Accordingly, Mei Hu Xin Yuan, Mei Hu Lan Yuan and Mei Hu Ya Yuan are excluded from the Acquisition and the property portfolio of the Target Group.

Considering the factors set out above, the Excluded Projects in Tianjin are excluded from the Acquisition.

Excluded Project in Jiangsu

As at 31 July 2017, the controlling shareholders had one Excluded Project in Jiangsu Province namely Huaian Qianlong City.

As 25% of the equity interest in Huaian Fusheng Real Estate Development Co., Ltd., which owns Huaian Qianlong City project was, at the time of the commencement of the Acquisition in 2015, held by an independent minority shareholder namely Fangsheng Ruixing, consent from Fangsheng Ruixing is required for the transfer of the attributable interests in Huaian Qianlong City. Fangsheng Ruixing has indicated that it would not consent to such transfer. Accordingly, Huaian Qianlong City is excluded from the Acquisition and the property portfolio of the Target Group.

Excluded Project in Guangdong

As at 31 July 2017, the controlling shareholders had one Excluded Project in Guangdong Province namely Huizhou Yuan He Project.

As 40% of the equity interest in Huizhou Yuan He which owns Huizhou Yuan He Project, is held by an independent shareholder, Huizhou Yuan Dong International Group Co., Limited (惠州市源東國際集團有限公司) ("**Huizhou Yuan Dong**"), consent from Huizhou Yuan Dong is required for the transfer of the attributable interests in Huizhou Yuan He Project. Huizhou Yuan Dong has indicated that it would not consent to such transfer. Accordingly, Huizhou Yuan He Project is excluded from the Acquisition and the property portfolio of the Target Group.

Excluded Project in Henan

As at 31 July 2017, the controlling shareholders had one Excluded Project in Henan Province, namely, Zhengzhou Fullsun Qianxiang Qianlong City which was categorised as stage II project. The equity interest of Zhengzhou Fullsun Qianxiang Qianlong City was held as to 36.8% by Fujian Fusheng Group and the remaining 63.2% was held by independent shareholders hence the consents from the independent shareholders were required for the transfer of the relevant attributable interests in such project. Fujian Fusheng Group was not able to obtain consents from the independent shareholders for Zhengzhou Fullsun Qianxiang Qianlong City.

D. No Competition

The business of the Target Group and the Excluded Companies are clearly delineated based on their geographical locations. Before SP Completion, the Target Group has been conducting its business through its five project companies in Changsha, Hunan Province of the PRC, while the Excluded Companies have been conducting their business in the following provinces/cities: Fujian, Tianjin, Jiangsu, Guangdong and Henan in the PRC. Please refer to the paragraph headed "Projects of the Excluded Companies" in this section for detailed information of each Excluded Project. There is no overlap between the locations of the property projects of the Target Group and the Excluded Projects.

According to the Deed of Non-competition, the controlling shareholders have granted the Restructured Group (i) a right of first offer ("**Right of First Offer**") on the whole or any part of the interest in any stage I and/or stage II projects held by the Excluded Companies, in the event that the controlling shareholders (or any of its/his close associates) wish to dispose of such interest, and (ii) a first right ("**First Right**") to act as the agent of the Excluded Companies to determine the terms and structure of the sale of the whole or any part of the interest in any stage III project undertaken by the Excluded Companies (including any stage I or stage II projects which become stage III projects after the date of the Deed of Non-competition) in the event that the controlling shareholders wish to sell any unsold interest in any stage III project.

In addition, the controlling shareholders have further undertaken, other than the Excluded Projects, not to own, invest in, carry on, participate in, develop, operate or be interested or engaged in or acquire or hold any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Restructured Group (being real estate development of residential and commercial properties including integrated residential and commercial properties) from time to time in the PRC (the "**Restricted Business**") following SP Completion; and in the event that the controlling shareholders or its/his close associates (other than any members of the Restructured Group) (the "**Offeror**") is given/identified/offered any business investments or commercial opportunity (other than the Excluded Projects) which directly or indirectly competes or may lead to competition with the Restricted Business (the "**New Opportunities**"), irrespective of the locations of the New Opportunities, they shall and shall procure their close associates to refer all the New Opportunities to the Company. Even if the Company decided not to take up the New Opportunities, any project to be undertaken by the Offeror under the New Opportunities will still be subject to the Right of First Offer or the First Right depending on its status.

The exercise of the Right of First Offer and the First Right by the Restructured Group may subject to the consent and/or agreement of the other shareholders of the relevant Excluded Companies or companies which hold the projects under the New Opportunities to be taken up by the Offeror. According to the Deed of Non-competition, the controlling shareholders have further undertaken to dispose of its/his respective interests in the relevant Excluded Company or the company which holds the projects under the New Opportunities to be taken up by the Offeror (as the case may be) to party(ies) who are Independent Third Parties and independent of the controlling shareholders or parties acting in concert with any of them after becoming aware that the Right of First Offer or the First Right cannot be effectively exercised by the Company due to the disagreement of the other shareholders of such companies. Please refer to the paragraph headed "Deed of Non-competition" in this section for detailed terms of the Deed of Non-Competition.

Based on the relevant arrangements set out in the Deed of Non-competition, for the existing Excluded Projects, by exercising the Right of First Offer and First Right, the Restructured Group will have the priority to take up the stage I or stage II projects when the controlling shareholders wish to sell the whole or any part of the interest in any of these projects and will gain the control as to whom the stage III projects would be selling to and/or whether or not to sell any interest in any stage III projects so to avoid the competition with its other projects. When the New Opportunities arise after the date of the Deed of Non-competition, irrespective of the locations of the New Opportunities, the controlling shareholders shall and shall procure their close associates to refer all the New Opportunities to the Company first. In the event that the Company declines to take up the New Opportunities and confirms that such New Opportunities would not constitute competition with the business of the Restructured Group, the controlling shareholders or their close associates could proceed to take up such New Opportunities but the projects to be developed by the controlling shareholders or their close associates under the New Opportunities will still be subject to the Right of First Offer or the First Right (as the case may be) depending on the status of such projects. As the potential competitions could be avoided by taking up the New Opportunities or by exercising the Right of First Offer or the First Right, the Restructured Group could expand

its business to the locations currently operated by the Excluded Companies or locations where neither the Restructured Group nor the Excluded Companies currently have operations in the future when it wishes to do so.

3. NON-COMPETITION UNDERTAKINGS

3.1 Deed of Non-competition

In order to ensure that competition will not exist in the future, the controlling shareholders have entered into the Deed of Non-competition in favour of the Company.

Pursuant to the Deed of Non-competition, each of the controlling shareholders will not, and will procure that its/his close associates (other than any members of the Restructured Group) not to, following the SP Completion and during the Non-Compete Period (as defined below), other than the Excluded Projects, directly or indirectly, either on its/his own account or in conjunction with or on behalf of any person, firm or company, own, invest in, carry on, participate in, develop, operate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any activity or business which is or may be in competition, directly or indirectly, with the Restricted Business.

Each of the controlling shareholders has represented and warranted that, as at the date of the Deed of Non-competition, other than the Excluded Projects, neither it/he nor any of its/his close associates is currently interested, involved or engaged, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through the Restructured Group or is otherwise engaged in any business which is in competition or potential competition to those of the Restructured Group.

Each of the controlling shareholders has also undertaken to the Company:

(a) to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors of its/his compliance with the terms of the Deed of Non-competition and the enforcement of the Deed of Non-competition or a negative confirmation, as appropriate;

(b) to procure the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of its/his non-competition undertakings under the Deed of Non-competition either through the Company's annual report, or by way of announcements to the public; and

(c) to make an annual declaration on compliance with its/his undertaking under the Deed of Non-competition in the annual reports of the Company as the independent non-executive Directors think fit and ensure that the disclosure of details of its/his compliance with and the enforcement of the non-competition undertakings under the Deed of Non-competition is consistent with the relevant requirements under the Listing Rules.

The Deed of Non-competition does not apply to:

the holding of or interests in shares or other securities in any company other than the Restructured Group which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange and either:

(i) the relevant Restricted Business (and assets relating thereto) accounts for less than 5% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(ii) the total number of the shares directly or indirectly held by the controlling shareholders and/or its/his respective close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question or control the exercise of more than 5% of the voting rights thereof, provided that the controlling shareholders and/or its/his respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company or otherwise participate in or be involved in the management of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its/his close associates) whose shareholdings in that company should be more than the total number of shares held by the controlling shareholders and/or its/his respective close associates together hold.

3.2 New Business Opportunity

In the event that any of the Offeror is given/identified/offered any New Opportunities, irrespective of the locations of the New Opportunities, it/he will and will procure its/his close associates to refer the New Opportunities to the Company as soon as practicable in the following manner:

(a) each of the controlling shareholders is required to, and shall procure its/his close associates (other than members of the Restructured Group) to, refer, or to procure the referral of, the New Opportunities to the Company, and shall within seven (7) business days after becoming aware of the New Opportunities give written notice to the Company of any New Opportunities containing all information reasonably necessary for the Company to consider whether (a) such New Opportunities would constitute competition with its business; and (b) it is in the interest of the Restructured Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**");

(b) each of the controlling shareholders shall use its/his reasonable endeavours to procure the New Opportunity to be first offered to the Company on terms and conditions that are fair and reasonable; and

(c) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from the Company declining the New Opportunities and confirming that such New Opportunities would not constitute competition with the Restructured Group's business, or (b) the Offeror has not received any notice of rejection from the Company declining the New Opportunities within 30 business days from the Company's receipt of the Offer Notice. Further that where the appointment of an independent financial adviser on the terms of a transaction, the subject of a New Opportunity, is required, or the Company requires additional time to assess the New Opportunity, the Company may give a written notice to the Offeror and the Offeror shall agree to extend the period to a maximum of 60 business days. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to the Company in the manner as set out above.

Upon receipt of the Offer Notice, the Company shall engage an independent financial adviser and an industry expert to provide relevant analysis, advice and guidance to the independent non-executive Directors who do not have a material interest in the matter to decide as to whether (a) such New Opportunities would constitute competition with the Restructured Group's business, and (b) it is in the interest of the Company and its shareholders as a whole to pursue the New Opportunities. The independent non-executive Directors will be solely responsible for ascertaining whether a New Opportunity would constitute competition with the Restructured Group's business and deciding whether or not to take up the New Opportunity after taking into consideration of the advice and guidance provided by the relevant independent professionals or industry experts to be engaged by the Company, and shall have the right to request the Company to engage additional independent professionals or experts in a reasonable manner if necessary.

3.3 Excluded Projects held by the Excluded Companies

Each of the controlling shareholders further jointly and severally, unconditionally and irrevocably undertakes to, and shall procure its/his close associates (where applicable) to, grant to the Company:

(i) a Right of First Offer on the whole or any part of the interest in any stage I project or stage II project undertaken by the Excluded Companies and in any stage I project or stage II project to be undertaken by the Offeror under the New Opportunities (the "**Relevant Interest**"), in the event that the controlling shareholders (or any of its/his close associates) wish to dispose of the Relevant Interest; and

(ii) a First Right to act as the agent of the Excluded Companies to determine the terms and structure of the sale of the whole or any part of the interest in any stage III project undertaken by the Excluded Companies (including any stage I project or stage II project undertaken by the Excluded Companies which become stage III projects after the date of the Deed of Non-competition) and in any stage III project to be undertaken by the Offeror under the New Opportunities (including any stage I project or stage II project to be undertaken by Offeror under the New Opportunities which become stage III projects) in the event that the controlling shareholders (or any of its/his close associates) wish to sell any unsold interest in any stage III project.

Each of the controlling shareholders hereby further, jointly and severally, unconditionally and irrevocably undertakes to, and shall procure its/his close associates (where applicable) to dispose of its/his respective interests in the relevant Excluded Company or the company which holds the projects under the New Opportunities to be taken up by the Offeror (as the case may be) to party(ies) who are Independent Third Parties and independent of the controlling shareholders or parties acting in concert with any of them after becoming aware that the Right of First Offer or the First Right cannot be effectively exercised by the Company due to the disagreement of the other shareholders of the relevant Excluded Company or the company which holds the projects under the New Opportunities to be taken up by the Offeror (as the case may be). For the avoidance of doubt, such disposals shall be completed prior to the completion of the disposals of any relevant interest in any Excluded Projects by the relevant Excluded Companies.

The controlling shareholders and the Company hereby agree and acknowledge that:

(i) the terms and conditions of the Relevant Interest offered to the Company and the agency fee payable by relevant Excluded Company and/or Offeror to the Company shall be negotiated and agreed at arm's length between the controlling shareholders/ relevant Excluded Company/Offeror and the Company. An independent firm of valuers shall be appointed to determine the consideration for the Relevant Interest if the controlling shareholders and the Company fail to agree on the consideration for the Relevant Interest; and

(ii) decisions as to whether to exercise the Right of First Offer or the First Right shall be subject to the approval of the independent non-executive Directors after taking into consideration of the independent advice and guidance from the relevant professionals or industry experts to be engaged by the Company at the time the Right of First Offer or the First Right arises, and the independent shareholders of the Company (if required), and all applicable laws, rules and regulations, including but not limited to, the Listing Rules.

3.4 Terms of the Deed of Non-competition

The obligation of the controlling shareholders under the Deed of Non-competition will cease to have any effect whatsoever on:

(a) the date on which the shares of the Company cease to be listed on the Stock Exchange; or

(b) in respect of a controlling shareholder, the date on which that controlling shareholder and/or its/his close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at the general meetings of the Company,

whichever occurs first (the "**Non-Compete Period**").

4. INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors are satisfied that the Restructured Group can function, operate and carry on its business independently from the controlling shareholders having considered the above, and based on the following reasons:

4.1 Management Independence

The business and operations of the Restructured Group will be managed by the Board and the senior management of the Company independent of the Excluded Companies after SP Completion. Upon SP Completion, the Board will comprise of six executive Directors and three independent non-executive Directors, details of whom are set out in the section headed "Directors and senior management of the Restructured Group" in this circular.

Except for Mr. Pan and Ms. Chen Weihong, as at the Latest Practicable Date, all proposed Directors had resigned from their positions with the Excluded Companies. Among the nine Directors on the Board, Mr. Pan and Ms. Chen Weihong, two proposed executive Directors, will hold managerial positions with the Excluded Companies and will remain their managerial roles in these Excluded Companies after SP Completion. Details of the roles and responsibilities of the Directors who will continue to have roles in the Excluded Companies are disclosed in the following table:

Director	**The Company**	**The Excluded Companies**
1. Mr. Pan	Chairman and executive Director	executive director/general manager/legal representative
Responsibilities	responsible for the overall corporate strategies formulation and management and investment and financing management of the Restructured Group	overseeing the performances of the Excluded Companies
2. Ms. Chen Weihong	executive Director	director/supervisor
Responsibilities	responsible for commercial property management of the Restructured Group	considering and approving significant decisions

Mr. Pan, will be the Chairman and an executive Director of the Company, and will be one of the two common directors between the Company and the Excluded Companies after SP Completion. He will be responsible for overall corporate strategies formulation and management and business development of the Restructured Group in a high-level manner only and will not be in charge of day-to-day operations. Mr. Pan also undertakes that he will allocate over 60% of his time to the Company after SP Completion.

Ms. Chen Weihong will be an executive Director of the Company after SP Completion and will be responsible for overseeing day-to-day management of the Company's operations. Ms. Chen Weihong is also a director/supervisor of certain Excluded Companies, and she is primarily responsible for considering and approving significant decisions of these Excluded Companies. Ms. Chen Weihong undertakes that she will allocate over 60% of her time to the Company after SP Completion.

Each of the Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit and in the best interests of the Company and its shareholders as a whole and must not allow any conflict between his/her duties as a director and his/her personal interest or his/her roles in other corporations. If there is any potential conflict of interest arising out of any transactions to be entered into between the Restructured Group and any directors or his/her respective close associates, such interested director shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

The day-to-day business of the Restructured Group will be managed by the Board. The Directors consider that the Company can function independently of the Excluded Companies notwithstanding that two of the Directors also hold positions in certain Excluded Companies for the following reasons:

(i) seven out of nine members of the Board will not hold any position in the Excluded Companies upon SP Completion. Accordingly, a majority of the members of the Board will be independent from the Excluded Companies and the Directors who will continue to hold positions in the Excluded Companies will not, whether acting alone or collectively, have an absolute majority to pass any resolution of the Board;

(ii) the day-to-day operation of the Restructured Group will principally be managed by Mr. Pan Jungang, Mr. Li Jinrong and Mr. Pan Haoran, the executive Directors. Mr. Pan Jungang and Mr. Li Jinrong have 11 and 15 years of experience in the property development industry in the PRC respectively. They will devote their full time and attention to manage the business operations of the Restructured Group and lead the Restructured Group with their industry experience in property development;

(iii) the day-to-day operation of the Restructured Group is not only managed by the executive Directors, but also by the senior management, Ms. Wu Jihong of the Company who is full time employee of the Restructured Group and will not hold any position in the Excluded Companies upon SP Completion;

(iv) there is no overlap in the independent non-executive Directors of the Company and the Excluded Companies, which is in line with the corporate governance best practice in Hong Kong. All three independent non-executive Directors are independently appointed to the Board and do not have any obligations to the Excluded Companies. None of the independent non-executive Directors has any position or role previously in the Excluded Companies and none of the criteria affecting independence under Rule 3.13 of the Listing Rules applies to them. The independent non-executive Directors either have appropriate academic qualifications

or extensive experience in different areas, and have been appointed pursuant to the requirements of the Listing Rules so as to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions; and

(v) the Company has in place arrangements and corporate governance measures to manage actual or potential conflicts of interests, ensure independent decision making, safeguard the protective measures under the Deed of Non-competition, and ultimately, protect the interest of the Shareholders. Pursuant to the Bye-laws, subject to certain customary exceptions, a Director shall not be entitled to vote (nor shall be counted in the quorum in relation to) any resolution of the Board approving any contract or arrangement or any other proposal whatsoever in which he or any of his/her close associates has any material interest, and if he/she shall do so his/her vote shall not be counted (nor is he to be counted in the quorum for the resolution). In the event that any such proposed contract or arrangement or any other proposal also constitutes a major transaction or above or a connected transaction pursuant to Chapters 14 or 14A of the Listing Rules, respectively, the Board is also required to comply with all the requirements under the Listing Rules, including (where applicable) obtaining the approval of the independent shareholders of the Company. Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Restructured Group independently, and the Directors are of the opinion that they are capable of managing the business of the Restructured Group independently after SP Completion.

4.2 Operational Independence

The Directors consider that the Restructured Group will be able to operate independently for the reasons that:

(a) the Company and the relevant project companies hold the relevant licenses and qualifications that are essential to the business operations of the Restructured Group;

(b) the Restructured Group has established its own operational structure made up of separate departments with independent management team to handle the Restructured Group's day-to-day operations;

(c) the Restructured Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology; and

(d) the Restructured Group also has direct and independent access to suppliers and customers. Please refer to the section headed "Business of the Target Group — 8. Suppliers" in this circular for detailed information.

4.3 Financial Independence

The Restructured Group has an independent accounting, financial and internal controls system, and will make financial decisions according to its own business needs. In addition, it also has its own independent treasury function.

During the Track Record Period, the Target Group has demonstrated its ability to raise financings from commercial banks/trust companies by providing properties under development as security. Some of the Target Group's bank loans and other loans during the Track Record Period were also secured by guarantee or joint guarantee provided by related parties, either Fujian Fusheng Group; Mr. Pan; Fusheng Group, Fujian Fusheng Group and Mr. Pan; Fusheng Group and Mr. Pan; or Fusheng Group, Mr. Pan and Ms. Chen Weihong. As at the Latest Practicable Date, the Target Group did not have any outstanding borrowings secured by guarantee or joint guarantee provided by related parties. The Directors and proposed Directors accordingly believe that the Restructured Group will be financially independent from the controlling shareholders upon SP Completion.

5. CORPORATE GOVERNANCE MEASURES ADOPTED BY THE COMPANY

The Directors believe that there are adequate corporate governance measures in place to manage any potential conflicts of interest and ensure compliance with the Deed of Non-competition. In addition, the Company has adopted the following corporate governance measures to further strengthen protection of the interests of the Shareholders:

(i) the Company is committed to ensuring that the Board has a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors, details of whom are set out in the section headed "Directors and senior management of the Restructured Group" in this circular, together possess the requisite industry knowledge and experience for their views to carry weight. The majority of the independent non-executive Directors have experience as directors of listed companies and will be able to provide impartial and professional advice to protect the interests of the minority shareholders;

(ii) any Director with material interest in any matter in respect of which a conflict or potential conflict of interest with the Restructured Group may arise must make full disclosure in respect of such matter to the Board, and any conflicted Director (including any Director who holds a position in the Excluded Companies), will abstain from participation in any board meeting when matters relating to any rights granted in favour of the Company under the Deed of Non-competition or any other connected transactions pursuant to contractual arrangements with any Excluded Company are discussed, unless his attendance is requested by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

(iii) the independent board committee comprising members of the Board who are independent of the Excluded Companies including the independent non-executive Directors will be responsible for reviewing, considering and deciding whether to pursue or decline any New Opportunity referred to by Excluded Company(ies) pursuant to the Deed of Non-competition, and an independent financial adviser or other professional advisers may be appointed or engaged as the independent board committee considers necessary to advise them on the terms of such New Opportunity;

(iv) the independent board committee comprising members of the Board who are independent of the Excluded Companies including the independent non-executive Directors will decide whether or not to exercise Right of First Offer and/or First Right. Such independent board committee may appoint or engage an independent financial adviser or other professional advisers to advise it. The Excluded Companies shall provide all information reasonably required by such independent board committee and/or independent adviser to assist them in their assessment of the exercise or non-exercise of the Right of First Offer and/or First Right;

(v) as required by the Listing Rules, the independent non-executive Directors will review any continuing connected transactions annually and confirm in the Company's annual report that such transactions have been entered into in the Restructured Group's ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to the Restructured Group than those available to or from Independent Third Parties and are on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and

(vi) the Company has appointed Ample Capital, with effect from SP Completion, as its compliance adviser who will provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

6. PROPOSED TRANSFER OF CERTAIN CONSIDERATION SHARES TO A TRUST COMPANY

The Vendor has an intention to transfer, by way of gift, upon the expiry of the sixth month after SP Completion, 300,000,000 Consideration Shares, representing approximately 22.70% and 2.87% of the issued share capital of the Company as at the Latest Practicable Date and immediately after SP Completion (after the allotment and issue of the Consideration Shares and the Placing Shares), respectively (the "**Granted Shares**") to Xiangxun Limited, a special vehicle specifically set up for the purpose of holding the Granted Shares on trust for 36 Transferees. The Transferees comprise 36 members of the senior management/former senior management of the Excluded Companies and/or Fujian Liujian Group who have assisted Mr. Pan in the development of his business during the past years. Among the 36 Transferees, four of them are also the members of the senior management of the Target Group and one of them is also a member of the senior management of a subsidiary of the Target Company as at the Latest Practicable Date. Upon SP Completion, four of the Transferees will become senior management of the Company. All the Transferees are Independent Third Parties and are independent of and not acting in concert with the Vendor and its associates except for (i) Mr. Pan Haoran who is the son of Mr. Pan; (ii) Mr. Pan Jungang who is the brother of Mr. Pan; (iii) Mr. Li Jinrong who is the director of a subsidiary of the Target Group; and (iv) Ms. Wu Jihong who is the director of a subsidiary of the Target Group and the sister-in-law of Mr. Pan's wife, Ms. Chen Weihong. The purpose of such arrangement is primarily to reward and recognise the Transferees' contributions to the success of Mr. Pan's business development of the Target Group, the Excluded Companies and Fujian Liujian Group and such contributions are also fundamental to the success of the business of the Target Group.

As (i) Xiangxun Limited is wholly owned by Mr. Pan; (ii) Mr. Pan Haoran, being one of the Transferees, is the son of Mr. Pan; (iii) Mr. Pan Jungang, being one of the Transferees, is the brother of Mr. Pan; (iv) Mr. Li Jinrong, being one of the Transferees, is the director of a subsidiary of the Target Group; and (v) Ms. Wu Jihong, being one of the Transferees, is the director of subsidiary of the Target Group and the sister-in-law of Mr. Pan's wife, each of Xiangxun Limited, Mr. Pan Haoran, Mr. Pan Jungang, Mr. Li Jinrong and Ms. Wu Jihong is regarded as a party acting in concert with the Vendor.

The transfer of the Granted Shares from Xiangxun Limited to the Transferees is subject to the following schedule: (1) 20% of the Granted Shares granted will be transferred to the Transferees in December 2019; (2) 30% of the Granted Shares granted will be transferred to the Transferees in December 2020; and (3) 50% of the Granted Shares granted will be transferred to the Transferees in December 2021. The transfer of the Granted Shares from Xiangxun Limited to the relevant Transferee will be conditional on, amongst other things, the relevant Transferee having remained as an employee of the Excluded Companies and/or the Target Group and/or Fujian Liujian Group.

Under the trust arrangement, Xiangxun Limited shall attend and act in accordance with the instructions of the Transferees to vote for and on behalf of the Transferees at the general meetings of the Company with respect to the Granted Shares before the relevant Granted Shares are transferred to the Transferees. The Transferees, as the beneficial owners of the relevant Granted Shares (including the Granted Shares which are yet to be transferred to the Transferees from Xiangxun Limited), shall have full power and authority to exercise the rights attaching to the Granted Shares, including the voting right, independently. A trust deed setting out the above arrangement will be entered into between Xiangxun Limited and each of the Transferees upon the Granted Shares are granted to the Transferees. Further announcement will be made on the completion of the transfer of the Granted Shares from the Vendor to Xiangxun Limited.

In connection with the background and relationship of the Transferees, the Sponsor has obtained confirmations from the Transferees. Mr. Pan Haoran (son of Mr. Pan), Mr. Pan Jungang (brother of Mr. Pan) and Ms. Wu Jihong (sister-in-law of Mr. Pan's wife, Ms. Chen Weihong) have confirmed that they are related to each other and have no relationship to the rest of the Transferees. As for the remaining 33 Transferees, they have confirmed that they have no relationship with the other Transferees. Further, all the Transferees have confirmed that as the beneficial owner of the Granted Shares, they have the right to vote and there is no arrangement that would affect their exercise of voting rights of such Granted Shares. Based on the works above, the Sponsor (i) has not noted anything which is out of the ordinary in relation to the Transferees; and (ii) considers the relevant disclosures of the Transferees set out in this circular are consistent with the confirmations obtained by the Sponsor.

Particulars of the Transferees, the number of Granted Shares to be granted to each of them are set forth below:

Name	Position in the Excluded Companies/Fujian Liujian Group	Date of Joining the Excluded Companies/Fujian Liujian Group	The number of Granted Shares	Percentage of issued share capital of the Company as at Latest Practicable Date (approximately) *(Note 5)*	Percentage of issued share capital of the Company immediately after the SP Completion (approximately) *(Note 5)*
Pan Jungang (潘俊鋼) *(Note 1)*	Director and Chief Executive Officer of Fusheng Group	15 March 2006 (resigned as Director and Chief Executive Officer of Fusheng Group on 30 October 2015)	24,000,000	1.83%	0.23%
Wu Jihong (吳繼紅) *(Note 2)*	Director and Vice President of Fusheng Group	16 June 2014 (resigned as Director and Vice President of Fusheng Group on 30 October 2015)	18,000,000	1.37%	0.17%
Guo Yangchun (郭陽春)	Director and General Manager of Cash Management Department of Fusheng Group	1 November 2004	15,000,000	1.13%	0.14%
Tan Wenhua (譚文華)	Director and General Manager of Finance Department of Fusheng Group	1 July 2003	15,000,000	1.13%	0.14%
He Jianhua (何建華)	Director and Executive Vice President of Fusheng Group	26 November 1999	12,000,000	0.91%	0.11%
Guo Guoqiang (郭國強)	Director and Vice President of Fusheng Group	27 April 2010	12,000,000	0.91%	0.11%
Pan Haoran (潘浩然) *(Note 3)*	Chief Investment Officer of Fusheng Group	10 November 2014 (resigned as Chief Investment Officer of Fusheng Group on 30 October 2015)	12,000,000	0.91%	0.11%
Wu Youfu (吳友福)	Regional General Manager of Fusheng Group	1 June 2011	9,000,000	0.68%	0.09%
Li Jinrong (利錦榮) *(Note 4)*	Vice President of Fusheng Group	25 October 2001 (resigned as Vice President of Fusheng Group on 30 October 2015)	9,000,000	0.68%	0.09%
Ge Jun (葛軍)	Regional General Manager of Fusheng Group	1 January 2007	9,000,000	0.68%	0.09%
Chen Ying (陳英)	Deputy Manager of Development Department of Fusheng Group	20 March 2006	6,000,000	0.45%	0.06%
Yang Shaomin (楊少敏)	Deputy Manager of Development Department of Fusheng Group	18 February 2013	6,000,000	0.45%	0.06%
Chen Hejie (陳和傑)	Regional General Manager of Fusheng Group	23 June 2006	6,000,000	0.45%	0.06%
Ye Qiuying (葉秋鶯)	General Sales Manager of Fusheng Group	12 December 2005	6,000,000	0.45%	0.06%
Lin Wei (林瑋)	Brand Director of Fusheng Group	28 November 2004	6,000,000	0.45%	0.06%

Name	Position in the Excluded Companies/Fujian Liujian Group	Date of Joining the Excluded Companies/Fujian Liujian Group	The number of Granted Shares	Percentage of issued share capital of the Company as at Latest Practicable Date (approximately) *(Note 5)*	Percentage of issued share capital of the Company immediately after the SP Completion (approximately) *(Note 5)*
Xiong Wei (熊偉)	Assistant of Chairman	15 March 2007	6,000,000	0.45%	0.06%
Hu Gengyi (胡耕誼)	Executive Deputy General Manager of Operating Department of Fusheng Group	3 January 2014	3,000,000	0.23%	0.03%
Lin Shuiling (林水玲)	Executive Deputy General Manager of Human Resources Department of Fusheng Group	17 October 2006	3,000,000	0.23%	0.03%
Wang Fangxian (王芳先)	Deputy General Manager of Finance Department of Fusheng Group	6 September 2007	3,000,000	0.23%	0.03%
Chen Xiang (陳翔)	Executive Deputy General Manager of Cash Management Department of Fusheng Group	7 September 2010	3,000,000	0.23%	0.03%
Huang Jinqing (黃金清)	Deputy General Manager of Research and Development Department of Fusheng Group	18 May 2006	3,000,000	0.23%	0.03%
Hong You (洪尤)	Deputy General Manager of Cash Management Department of Fusheng Group	26 October 2006	3,000,000	0.23%	0.03%
Lin Dong (林棟)	Chairman of Fujian Liujian Group	1 August 1990	30,000,000	2.28%	0.29%
Chen Yuxin (陳育新)	President of Fujian Liujian Group	1 July 1996	12,000,000	0.91%	0.11%
Lin Gongming (林功明)	Chief Accountant of Fujian Liujian Group	1 July 1992	12,000,000	0.91%	0.11%
He Xiaoshao (何孝邵)	Vice President of Fujian Liujian Group	1 July 1987	9,000,000	0.68%	0.09%
Huang Yufeng (黃瑜鋒)	Vice President of Fujian Liujian Group	1 August 1983	9,000,000	0.68%	0.09%
Wang Jie (王捷)	General Manager of Xiamen No. 1 Construction and Engineering Company Limited* (廈門第一建築工程有限公司)	1 September 1993	6,000,000	0.45%	0.06%
Zheng Zehang (鄭則航)	Assistant to President of Fujian Liujian Group	1 September 1990	6,000,000	0.45%	0.06%
Wang Shijie (王世傑)	Chief Engineer of Fujian Liujian Group	1 September 1990	6,000,000	0.45%	0.06%
Huang Xinping (黃新平)	Chief Human Resources Officer of Fujian Liujian Group	6 July 2007	6,000,000	0.45%	0.06%

Name	Position in the Excluded Companies/Fujian Liujian Group	Date of Joining the Excluded Companies/Fujian Liujian Group	The number of Granted Shares	Percentage of issued share capital of the Company as at Latest Practicable Date (approximately) *(Note 5)*	Percentage of issued share capital of the Company immediately after the SP Completion (approximately) *(Note 5)*
Zeng Wenhuang (曾文煌)	Regional General Manager of Fujian Liujian Group	1 July 1996	6,000,000	0.45%	0.06%
Dai Haijun (戴海軍)	Branch General Manager of Fujian Liujian Group	1 July 2002	3,000,000	0.23%	0.03%
Qiu Ruiming (邱瑞明)	Deputy General Manager of Project Management Department of Fujian Liujian Group	1 July 2001	3,000,000	0.23%	0.03%
Yue Fang (岳方)	Supervisor of Fujian Liujian Group	1 February 2007	1,500,000	0.11%	0.01%
Xu Ruliang (許如亮)	Secretary to the Party Committee and Chairman to the Labour Union of Fujian Liujian Group	1 December 1970	1,500,000	0.11%	0.01%
Total			300,000,000	22.70%	2.87%

Notes:

1. Mr. Pan Jungang is proposed to be an executive Director upon SP Completion.

2. Ms. Wu Jihong is proposed to be the chief financial officer of the Restructured Group upon SP Completion.

3. Mr. Pan Haoran is proposed to be an executive Director upon SP Completion.

4. Mr. Li Jinrong is proposed to be an executive Director upon SP Completion.

5. Any discrepancies in the table between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

1. MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that an issuer has sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Since its headquarters and all of its business operations are based, managed and conducted in the PRC, the Restructured Group will not, on SP Completion or in the foreseeable future, have sufficient management presence in Hong Kong. It is expected that, except for Mr. Tang Kwok Hung, all of the executive Directors will reside in China after SP Completion. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under Rule 8.12 of the Listing Rules.

Notwithstanding that upon SP Completion, the Company will not have at least two executive Directors who are ordinarily resident in Hong Kong, the following will allow the Company to maintain regular communications with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules:

(i) The Company will have at least two independent non-executive Directors who ordinarily reside in Hong Kong.

(ii) The Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The authorised representatives of the Company, Mr. Tang Kwok Hung, an executive Director, and Ms. Chan Lo Sho, the company secretary of the Company, who are ordinarily resident in Hong Kong, will act as the principal channel of communication between the Company and the Stock Exchange. They will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time.

(iii) The authorised representatives of the Company have the telephone and fax numbers and e-mail addresses of all the Directors and are able to contact all the Directors promptly at all times as and when the Stock Exchange wishes to contact them on any matter, and in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation or an alternative means of communication to the authorised representatives.

(iv) All the Directors (including the independent non-executive Directors) will be readily contactable by the Stock Exchange and will provide their respective mobile phone numbers, office phone numbers, e-mail, addresses and fax numbers to the Stock Exchange, and for the Directors who are not ordinary resident in Hong Kong, they all possess or can apply for valid travel documents to travel to Hong Kong and will be available to meet with the Stock Exchange with reasonable notice.

(v) Meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or compliance adviser to the Company, or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the authorised representatives and compliance adviser to the Company.

(vi) The Restructured Group will retain a compliance adviser acceptable to the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules as an additional channel of communication with the Stock Exchange, for the period commencing on the date of the SP Completion and ending on the day on which the Restructured Group complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of SP Completion.

2. DEALING IN THE SHARES OF THE COMPANY PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted.

As at the Latest Practicable Date, as far as the Company is aware, Advance Lead International Limited is the only substantial shareholder (the "**Substantial Shareholder**") of the Company within the meaning of the Listing Rules. Given that the Shares are already publicly traded on the Stock Exchange, the Company has no control of and is not in a position to control dealings in the Shares by any person (other than the Substantial Shareholder, the Directors and the proposed Directors, whether or not they are existing holders of the Shares) who may, as a result of such dealing, become a core connected person of the Company within the meaning of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealing by any Shareholder (other than the Substantial Shareholder, the Directors, the proposed Directors and any of their respective close associates) from four clear business days before the expected hearing date until listing is granted, on condition that:

(a) the Company promptly releases any price sensitive information to the public in accordance with the Listing Rules;

(b) the Company procures that none of its existing core connected person deals in the Shares (other than the allotment of the Consideration Shares) from four clear business days before the expected hearing date until listing is granted;

(c) the Company notifies the Stock Exchange if it has come to its knowledge that there is any breach of dealing restriction by any of its core connected persons from four clear business days before the expected hearing date until listing is granted; and

(d) for any public investors who, as a result of dealing in the securities of the Company from four clear business days before the expected hearing date until listing is granted, becomes a substantial shareholder of the Company (the "**Potential New Substantial Shareholder**"), the Company confirms that the Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder.

You should read the following discussion of the Target Group's results of operations and financial condition in conjunction with its audited consolidated financial information as at and for the years ended 31 December 2014, 2015 and 2016 and as at and for the four months ended 30 April 2017, including the notes thereto, included in Appendix III to this circular. This historical consolidated financial information is not necessarily indicative of the future performance of the Target Group or the Restructured Group. For an illustration of the financial information of the Restructured Group as a result of the Completion, see "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular. The Target Group's consolidated financial information has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements in the Companies Ordinance. The following discussion contains forward-looking statements that involve risks and uncertainties. The Target Group's future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this circular.

1. OVERVIEW

The Target Group is primarily engaged in the development and sale of residential and commercial properties in Changsha in the PRC through its PRC Operating Subsidiaries. According to the "Industry overview" in Appendix I to this circular, the GDP of Changsha has increased from approximately RMB454.7 billion in 2010 to approximately RMB932.4 billion in 2016, representing a CAGR of approximately 12.7%. Such fast paced economic development together with the easing measures on the property market introduced by the PRC government in March 2015 and February 2016 would provide support to the recovery of Changsha's property market.

As at 31 July 2017, the Target Group had a portfolio of six active property projects under various stages within the development cycle which comprised (i) two residential property projects, namely Qianlong Academy (錢隆學府) and Qianlong Premier Mansion (錢隆首府); (ii) one residential complex project, namely Qianlong Royal Family (錢隆世家); (iii) two residential and commercial complex projects, namely Qianlong Fine Art (錢隆樽品) and Qianlong International (錢隆國際); and (iv) one commercial project, namely Fullsun International Financial Centre (福晟國際金融中心), in Changsha in the PRC, with a total GFA of approximately 1,439,710 sq.m.. Of these active projects, as at 31 July 2017, the Target Group:

(i) had completed the development of a total GFA of approximately 812,849 sq.m.;

(ii) was in the process of developing a total GFA of approximately 370,133 sq.m.; and

(iii) was holding for future development land with a total GFA of approximately 256,729 sq.m., for which the Target Group holds land use rights certificates.

For further information about the Target Group's business and operations, please refer to the section headed "Business of the Target Group" in this circular.

The Target Group's revenue was recognised upon completion and delivery of the properties to the customers. For the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017, the total revenue of the Target Group amounted to approximately RMB1,137.7 million, RMB942.8 million, RMB768.4 million, RMB284.1 million and RMB136.8 million, respectively. The net profit of the Target Group for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017 amounted to approximately RMB86.8 million, RMB122.7 million, RMB66.8 million, RMB24.2 million and RMB51.2 million, respectively.

2. SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from the Target Group's consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 April 2017 and its consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017 set forth below are extracted from the "Accountants' report on the Target Group" in Appendix III to this circular, and should be read in conjunction with it.

2.1 Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	1,137,733	942,791	768,363	284,051	136,822
Cost of sales	(931,300)	(684,121)	(576,120)	(212,609)	(37,757)
Gross profit	206,433	258,670	192,243	71,442	99,065
Other income and gains	11,802	10,801	4,969	1,253	809
Other expenses and refund	(14,243)	2,596	(14,237)	(1,530)	(2,416)
Selling and distribution expenses	(17,435)	(13,820)	(16,352)	(5,070)	(4,085)
Administrative expenses	(27,034)	(25,497)	(23,377)	(8,673)	(7,680)
Finance costs	(1,280)	(429)	(22,446)	(13,269)	—
Profit before taxation	158,243	232,321	120,800	44,153	85,693
Income tax expense	(71,415)	(109,592)	(54,048)	(19,914)	(34,530)
Profit and total comprehensive income for the year/period	86,828	122,729	66,752	24,239	51,163

Note: There were no audit qualifications issued by the auditors of the Target Company for each of the three years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2017. There were no exceptional or extraordinary items for each of the three years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2017. The Target Company and its subsidiaries have not declared any dividends during the Track Record Period.

3. BASIS OF PRESENTATION

The historical financial information of the Target Group has been prepared on the basis as if the Target Company had always been the holding company of the Target Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the year ended 31 December 2014 include the results, changes in equity and cash flows of the companies now comprising the Target Group have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2014, or since their respective dates of incorporation or establishment, where this is a shorter period.

The historical financial information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the historical financial information includes applicable disclosures required by the Listing Rules and by the Companies Ordinance.

The historical financial information is presented in RMB, which is the same as the functional currency of the Target Company.

Please refer to the paragraph headed "Notes to historical financial information — 1. Reorganisation and basis of preparation and presentation of historical financial information" in the "Accountants' report on the Target Group" in Appendix III to this circular for more details.

4. KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Target Group's results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk factors" in this circular. Factors other than those set forth below could also have a significant impact on the Target Group's results of operations and financial condition in the future.

4.1 The economy and real estate markets in the PRC

The economic growth, urbanisation and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power of consumers in the PRC and the resulting demand for residential properties. The overall economic growth in the PRC and the rate of urbanisation will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. As the focus of the Target Group's business is the development of

residential and commercial property projects in Changsha and, in the future, other residential and commercial property projects in selected first and second tier target cities in the PRC, the economic growth and the rate of urbanisation in these cities will be important to the growth of the Target Group's operations.

The PRC property market has experienced significant volatility in recent years, especially as a result of the continuing effects of the global economic and financial crisis and the recent deterioration in the PRC's economic growth and credit environments. If the property market slows down in the PRC generally, or in Changsha or the target cities in which the Target Group intends to operate in the future, it could have a material adverse effect on the Target Group's business, results of operations and financial condition.

4.2 The regulatory environment and measures affecting the real estate industry in China

The Target Group's business has been, and will continue to be, affected by the regulatory environment in China, in particular, the policies and measures on property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the perceived over-heated real estate market, which have (i) tightened the lending requirement in the financial sector; (ii) changed the supply and demand dynamic in regional real estate markets; (iii) increased taxes on title transfers and property ownership; (iv) increased down payment requirements for residential mortgages; (v) tightened credit on financing and mortgage loans; and (vi) restricted multiple home ownership and investments in residential property outside one's province of residence in the PRC. Although the PRC government implemented certain easing measures and stimulating measures on the property market in March 2015 and February 2016, the PRC regulatory measures in the real estate industry will continue to impact the Target Group's business in the future. Please refer to the section headed "Risk factors" in this circular and the "Regulatory overview" in Appendix II to this circular for more details on the relevant PRC laws and regulations.

4.3 Mix of property developments

The Target Group derives its revenue principally from sales of residential and commercial properties in Changsha, and in the future the Restructured Group is expected to generate revenue from similar projects in Changsha or other target cities in the PRC. The Restructured Group also expects to start its investment property leasing business in the future, in particular, leasing of hotel and commercial apartments. Commercial properties generally command higher ASP, and have higher gross profit margins than residential properties. Among residential properties, the low-rise residential properties command higher average selling prices per square meter, and have higher gross profit margins than the high-rise residential properties. The Target Group expects that in the future it will retain a portion of its commercial properties as investment properties upon completion for recurring rental income and long-term financial strength. A higher proportion of completed properties retained as investment properties may lower the Target Group's revenue and cash inflows in the short term due to the loss of cash inflows and revenue generated during pre-sales and upon delivery. Accordingly, the Target Group's business, financial condition, results of operations and cash flows generated from its

operations may vary significantly from period to period depending on the type of properties the Target Group sells and the proportion of completed commercial properties the Target Group retains as investment properties.

4.4 Project development schedules

Property development typically requires substantial capital expenditure and a substantial amount of time to complete. The progress of a development project can be adversely affected by many factors, including but not limited to shortages of construction materials or contractors, labour disputes, financing difficulty, construction accidents, natural catastrophes and adverse weather conditions. The Target Group may also encounter delays in obtaining the necessary zoning, land use, building, development and other required governmental and regulatory licences, permits, approvals and authorisations for its projects. Projects under development may also be subject to construction risks which include, among others, default by contractors or other third party service and goods providers of their obligations or financial difficulties faced by such persons. Any delay in the progress of a development project will lead to increased construction costs. Furthermore, if a pre-sold property development is not completed on time, the purchaser or lessee may be entitled to compensation for late delivery. Delays in completion or delivery of development projects may affect the business, reputation, financial condition and results of operations of the Target Group.

Pre-sales of property provide an important source of operating cash flow for the Target Group. Because current PRC laws and regulations require property developers to fulfil certain conditions before commencing pre-sales, the progress of property development may affect the timing of the Target Group's cash inflows. In addition, as the Target Group does not recognise revenue in respect of the sale of a property until its development has been completed and the property has been delivered to the purchaser, the progress of property development may also cause the Target Group's results of operations to vary significantly from period to period depending on the GFA and timing of delivery of the property sold.

4.5 Cost of property development

The Target Group's results of operations are significantly affected by the costs relating to property sales and development, consisting primarily of construction costs, land acquisition costs and capitalised finance costs.

For the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017, the Target Group's recognised construction costs accounted for approximately RMB362.4 million, RMB263.0 million, RMB265.0 million, RMB65.7 million and RMB18.5 million, respectively. The Target Group's contractors are generally responsible for procuring and supplying materials, mainly steel and concrete, required for construction. Under the terms of these contracts, construction fees may be adjusted in accordance with increases in commodity prices over certain thresholds, typically 3% or 5%, depending on the construction materials procured. Consequently, the Target Group assumes a part of the risk of commodity price increases under its construction contracts. Any rise in construction costs, including those under construction contracts, will impact the Target Group's cost of sales and profit margins if the Target Group cannot pass the relevant incremental cost on to its customers. As the Target Group pre-sells some of its properties prior to their completion, it will be unable to pass any increased costs with respect to such properties to its customers if these costs increase subsequent to the time of such pre-sales. The Target Group expects its construction costs to continue to be influenced by fluctuations in the cost of construction materials and rising labour costs.

Land acquisition costs include costs relating to the acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with the land grants from the local PRC governments or land acquired in the secondary market. In order to have a steady stream of properties available for sale and to achieve continuous growth in the long term, the Restructured Group will need to acquire land reserves suitable for development at an acceptable cost in Changsha and other target cities. Undeveloped land in China's major cities is becoming increasingly scarce and the cost of acquiring suitable land for property development has been increasing. Land acquisition costs are also affected by a number of factors, including land location, timing of acquisition, method of acquisition (through tenders, auctions or listings-for-sale on the primary market, and private acquisition and cooperative agreement on the secondary market) and relevant changes in the PRC land acquisition policies and regulations.

4.6 Access to and cost of financing

The Target Group operates in a capital intensive industry. During the Track Record Period, the Target Group has relied on proceeds from sale and pre-sale of properties, bank borrowings and trust and other loans to fund its project development activities.

For the year ended 31 December 2014, net cash used in operating activities amounted to approximately RMB459.6 million. For the year ended 31 December 2015 and 2016 and for the four months ended 30 April 2016 and 2017, net cash generated from operating activities amounted to approximately RMB429.0 million, RMB425.6 million, RMB119.8 million and RMB133.0 million respectively.

As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group's outstanding bank and other loans amounted to approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million, respectively. Finance costs of approximately RMB177.9 million, RMB271.5 million, RMB187.4 million, RMB51.0 million and RMB55.2 million were incurred and capitalised to properties under development for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017 respectively. During the Track Record Period, some of the Target Group's loans carry interest at floating rates. As loans carrying interest at floating rates in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, increases in the PBOC benchmark rates may affect the Target Group's borrowing costs and therefore affect its cash flow, financial condition and results of operations. In addition, as the Target Group uses other financing on a substantial scale, its cost of financing is affected by the proportion of other financing in its overall external financing since other financing typically costs more than traditional bank borrowings.

The Target Group's access to and cost of financing are also affected by the PRC government's bank credit policies and regulations on bank lending for property development. To the extent that the PRC government tightens the bank credit policies or restrict bank lending activities in the property market, the Target Group's access to capital and cost of finance can be adversely affected. In addition, any increase in interest rates or tightening of bank credit policies will affect the costs of mortgage financing to potential purchasers of the Target Group's properties, which in turn may affect the demand for the Target Group's properties.

5. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Target Group has identified certain accounting policies that are significant to the preparation of the consolidated financial statements in accordance with HKFRSs. These significant accounting policies are important for an understanding of the financial condition and results of operations of the Target Group and such accounting policies are set forth in the "Accountants' report on the Target Group" in Appendix III to this circular. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. The Target Group bases its estimates on historical experience and other assumptions which the management of the Target Group believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. The management of the Target Group has identified below accounting policies and key assumptions that are most critical to the preparation of its consolidated financial statements.

5.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and goods and services provided in the normal course of business, net of discounts.

Revenue from sale of properties in the ordinary course of business is recognised when the development of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale and purchase agreements and when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are include in the consolidated statements of financial position under current liabilities.

Property management income is recognised when the related services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

5.2 Inventory of properties

Properties under development for sale and completed properties held for sale are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less anticipated selling expenses and costs to completion, if applicable.

The cost of properties under development for sale comprises land costs, construction costs, borrowing costs capitalised according to the Target Group's accounting policy and directly attributable expenses incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

5.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

5.4 Development costs directly attributable to property development activities

The Target Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Target Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions, concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Target Group's operating performance in future years.

5.5 Determination of net realisable value of inventory of properties

Inventory of properties are stated at the lower of the cost and net realisable value with carrying amount of approximately RMB2,424.5 million, RMB2,293.5 million, RMB2,352.5 million and RMB2,425.6 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on prevailing market conditions. Where there is any increase in costs to completion or decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss in respect of the properties under development for sale and completed properties for sale. No impairment on inventory of properties was made during the Track Record Period.

5.6 Land appreciation tax ("LAT")

The Target Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Target Group have not finalised their land appreciation tax calculations and payments with the local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Target Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities. The Tax Adviser advises that the financial impact of the recent changes in the relevant LAT regulations are immaterial to the Target Group. Operating margin of the Target Group's projects would improve immaterially as a result of the lower effective turnover tax burden under the Pilot Program of Replacing Business Tax with Value Added Tax which was fully implemented effective from May 2016. For further details, please refer to the paragraph headed "B. Major taxes applicable to property developers — (b) Business Tax and Value Added Tax" in the "Regulatory overview" in Appendix II to this circular. This operating margin improvement will be partially reduced by additional LAT payable as a result of the additional operating margin generated (according to the corresponding changes in LAT regulations under the Several Provisions concerning the Levy and Administration of Land Appreciation Tax after the Collection of Value-added Tax in Lieu of Business Tax and the Announcement of the State Administration of Taxation on Matters Related to the Enterprise Income Tax Refund Involved in the Settlement of Land Appreciation Tax by Real Estate Developers in late 2016, the LAT rates remain unchanged whilst the output VAT collected shall be excluded from the taxable revenue and input VAT paid shall be excluded from the deductible items for computing LAT payable). Overall, the operating margin would not be adversely affected by these tax changes. Please refer to the paragraph headed "B. Major taxes applicable to property developers — (c) Land Appreciation Tax" in the "Regulatory overview" in Appendix II to this circular for further details.

6. PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

6.1 Revenue

The Target Group derives its revenue primarily from sales of properties and property management services earned during the Track Record Period. The following table sets forth the breakdown of the Target Group's revenue by sources for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of properties	1,128,578	941,210	768,363	284,051	136,822
Property management services	9,155	1,581	—	—	—
Total	1,137,733	942,791	768,363	284,051	136,822

As revenue from the sales of properties constitutes a substantial portion of the Target Group's revenue, the Target Group's results of operations for a given period are dependent upon the type and GFA of properties the Target Group has completed and delivered during that period, the market demand for those properties and the prices of the pre-sold or sold properties. Please refer to the paragraph headed "5. Critical accounting policies and estimates — 5.1 Revenue recognition" in this section for more details.

The following table sets forth certain details of the Target Group's six active properties sold and delivered during the periods indicated, including revenue recognised, GFA delivered and ASP:

	For the year ended 31 December									For the four months ended 30 April					
	2014			2015			2016			2016			2017		
	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP	Revenue recognised	GFA delivered	ASP
	RMB'000	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000* (unaudited)	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*
Projects															
Qianlong Academy	56,010	10,562	5,303	12,976	3,430	3,784	8,336	4,578	1,821	1,286	847	1,518	2,045	1,069	1,913
Qianlong Fine Art	215,359	30,457	7,071	342,497	29,450	11,630	113,532	10,644	10,666	62,601	4,174	14,997	27,417	1,307	20,970
Qianlong Premier Mansion *(Note 2)*	723,156	89,266	8,101	366,125	44,761	8,180	199,837	25,759	7,758	170,127	21,741	7,825	(690)	(54)	12,774
Qianlong Royal Family	134,053	26,006	5,155	219,612	42,881	5,121	446,658	83,707	5,336	50,037	5,987	8,358	18,516	2,397	7,724
Qianlong International	–	–	–	–	–	–	–	–	–	–	–	–	89,533	2,339	38,271
Fullsun International Financial Centre	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,128,578	156,292	7,221	941,210	120,521	7,810	768,363	124,688	6,162	284,051	32,749	8,673	136,822	7,060	19,381

Note 1: The ASP is derived by dividing revenue from sales of properties by GFA delivered in the same period. Any discrepancies in the table between totals and sums of amounts listed therein, and between the amount of ASP and the division of the amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items, and the ASP may not be equal to the division of the individual items.

During the Track Record Period, the fluctuation in the ASP of the Target Group's properties depends on a number of factors including, among others, the product mix of GFA delivered, the general macro-economic conditions, the change in government policies in the PRC real estate market, the price range of similar nearby properties and the Target Group's pricing strategies. In addition to the aforementioned factors affecting the ASP's fluctuations, the difference in ASP for the Track Record Period is attributable to unquantifiable factors including but not limited to location, floor, availability of view and quality of units delivered in the relevant period.

Note 2: The negative revenue recognised and GFA delivered from Qianlong Premier Mansion for the four months ended 30 April 2017 is mainly derived from the amount of approximately RMB1.2 million refunded to the respective customers due to the difference between the pre-sold GFA of the properties and the delivered GFA of the properties for the residential units of Qianlong Premier Mansion for the period concerned.

The ASP of the Target Group's properties increased slightly from approximately RMB7,221/sq.m. for the year ended 31 December 2014 to approximately RMB7,810/sq.m. for the year ended 31 December 2015, mainly due to the sales of retail shops in Qianlong Fine Art which had relatively high ASP during the year ended 31 December 2015.

The ASP of the Target Group's properties decreased from approximately RMB7,810/sq.m. for the year ended 31 December 2015 to approximately RMB6,162/sq.m. for the year ended 31 December 2016, mainly attributable to the increase in proportion of revenue generated from the residential units of Qianlong Royal Family during the year ended 31 December 2016 which had a lower ASP compare to the units delivered from the Target Group's other projects during the year ended 31 December 2015.

The ASP of the Target Group's properties increased from approximately RMB8,673/sq.m. for the four months ended 30 April 2016 to approximately RMB19,381/sq.m. for the four months ended 30 April 2017, mainly attributable to (i) the increase in revenue generated from the commercial units from Phase I of Qianlong International which had a higher ASP compared to the units delivered from the Target Group's other projects during the four months ended 30 April 2016; and (ii) the increase of ASP for units delivered in Qianlong Fine Art as a result of the increase in proportion of revenue generated from the delivery of commercial units for the aforementioned project during the four months ended 30 April 2017 which had a relatively higher ASP in comparison to the other types of units of the aforementioned project.

The Target Group's revenue is affected by the ASP of its properties. The table below sets forth a sensitivity analysis for the Target Group's revenue and ASP of its properties, illustrating its impact on the Target Group's profit before taxation if the Target Group's revenue and ASP of its properties had been 5% and 10% higher or lower in the periods indicated and the percentage change in the Target Group's revenue and ASP of its properties which would result in zero net profit before taxation, assuming all other variables were held constant:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
If the revenue had been 5% higher/lower					
Increase/decrease in profit before taxation	+/-56,887	+/-47,140	+/-38,418	+/-14,203	+/-6,841
Percentage increase/decrease in profit before taxation	+/-35.9%	+/-20.3%	+/-31.8%	+/-32.2%	+/-8.0%
If the revenue had been 10% higher/lower					
Increase/decrease in profit before taxation	+/-113,774	+/-94,280	+/-76,836	+/-28,405	+/-13,682
Percentage increase/decrease in profit before taxation	+/-71.9%	+/-40.6%	+/-63.6%	+/-64.3%	+/-16.0%

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Percentage change in revenue which would result in zero net profit before taxation	-13.9%	-24.6%	-15.7%	-15.5%	-62.6%
Percentage change in revenue which would result in zero bank balances and cash (including pledged/restricted bank deposits)	-7.50%	-26.6%	-39.4%	-170.9%	-292.3%
If the ASP had been 5% higher/ lower					
Increase/decrease in profit before taxation	+/-56,429	+/-47,061	+/-38,418	+/-14,203	+/-6,841
Percentage increase/decrease in profit before taxation	+/-35.7%	+/-20.3%	+/-31.8%	+/-32.2%	+/-8.0%
If the ASP had been 10% higher/ lower					
Increase/decrease in profit before taxation	+/-112,858	+/-94,121	+/-76,836	+/-28,405	+/-13,682
Percentage increase/decrease in profit before taxation	+/-71.3%	+/-40.5%	+/-63.6%	+/-64.3%	+/-16.0%
Percentage change in ASP which would result in zero net profit before taxation	-14.0%	-24.7%	-15.7%	-15.5%	-62.6%
Percentage change in ASP which would result in zero bank balances and cash (including pledged/restricted bank deposits)	-7.6%	-26.6%	-39.4%	-170.9%	-292.3%

6.2 Cost of sales

Cost of sales comprises the costs that the Target Group incurs directly in relation to its activities in property sales and development as well as property management services. Cost of sales primarily comprises construction costs, land acquisition costs, capitalised finance costs, business tax, property management costs and indirect development costs such as cost of superintendence and on-site management. The Target Group recognises the cost of sales of its properties for a given period to the extent that revenue from such properties has been recognised in the same period.

The following table sets out the breakdown of cost of sales by nature during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Costs relating to property sales and development					
— Construction costs	362,419	262,973	264,965	65,733	18,488
— Land acquisition costs	340,114	230,233	156,139	91,495	14,737
— Capitalised finance costs	139,491	127,414	116,335	37,409	3,173
— Indirect development cost	13,622	9,524	11,936	2,050	514
— Business tax in relation to property sales	62,958	53,102	26,745	15,922	845
	918,604	683,246	576,120	212,609	37,757
Costs relating to property management service					
— Property management costs	11,922	761	—	—	—
— Business tax in relation to property management service	774	114	—	—	—
	12,696	875	—	—	—
	931,300	684,121	576,120	212,609	37,757

The Target Group's average construction costs per sq.m. of GFA delivered is affected by property mix and third party contractor pricing, the latter of which is in turn affected by fluctuations in prices of construction materials and labour costs. The table below sets forth a sensitivity analysis for the Target Group's construction costs, illustrating its impact on the Target Group's profit before taxation if the Target Group's construction costs had been 5% and 10% higher or lower in the periods indicated and the percentage change in the Target Group's construction costs which would result in zero net profit before taxation, assuming all other variables were held constant:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
If construction costs had been 5% higher/lower					
Decrease/increase in profit before taxation	-/+18,121	-/+13,149	-/+13,248	-/+3,287	-/+924
Percentage decrease/increase in profit before taxation	-/+11.5%	-/+5.7%	-/+11.0%	-/+7.4%	-/+1.1%
If construction costs had been 10% higher/lower					
Decrease/increase in profit before taxation	-/+36,242	-/+26,297	-/+26,497	-/+6,573	-/+1,849
Percentage decrease/increase in profit before taxation	-/+22.9%	-/+11.3%	-/+21.9%	-/+14.9%	-/+2.2%
Percentage change in construction costs which would result in zero net profit before taxation	+43.7%	+88.3%	+45.6%	+67.2%	+463.5%
Percentage change in construction costs which would result in zero bank balances and cash (including pledged/restricted bank deposits)	+23.5%	+95.2%	+114.3%	+738.3%	+2,163.2%

The table below sets forth a sensitivity analysis for the Target Group's land acquisition costs, illustrating its impact on the Target Group's profit before taxation if the Target Group's land acquisition costs had been 5% and 10% higher or lower in the periods indicated and the percentage change in the Target Group's land acquisition costs which would result in zero net profit before taxation, assuming all other variables were held constant:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
If land acquisition costs had been 5% higher/lower					
Decrease/increase in profit before taxation	-/+17,006	-/+11,512	-/+7,807	-/+4,575	-/+737
Percentage decrease/increase in profit before taxation	-/+10.7%	-/+5.0%	-/+6.5%	-/+10.4%	-/+0.9%
If land acquisition costs had been 10% higher/lower					
Decrease/increase in profit before taxation	-/+34,011	-/+23,023	-/+15,614	-/+9,150	-/+1,474
Percentage decrease/increase in profit before taxation	-/+21.5%	-/+9.9%	-/+12.9%	-/+20.7%	-/+1.7%
Percentage change in land acquisition costs which would result in zero net profit before taxation	+46.5%	+100.9%	+77.4%	+48.3%	+581.5%
Percentage change in land acquisition costs which would result in zero bank balances and cash (including pledged/restricted bank deposits)	+25.1%	+108.8%	+193.9%	+530.4%	+2,713.8%

6.3 Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. The Target Group's gross profit margin, therefore, mainly depends upon a combination of factors, including the volume and price at which the Target Group sells properties, the land acquisition costs, construction costs and capitalised finance costs. The revenue is mainly determined by the ASP and the GFA delivered and the cost of sales per sq.m. is mainly determined by the actual land and development costs incurred for the Target Group's property development projects. The subsequent sale of the Target Group's properties at a higher or lower ASP, which is subject to various factors including but not limited to the general economic and property market conditions in the PRC,

the prevailing market prices of the properties in the vicinity of the Target Group property development projects and other attributes of the property such as type of property, floor level, and scenery, would therefore result in a higher/lower gross profit margin. Please refer to the paragraph headed "6. Principal components of results of operations — 6.1 Revenue" in this section for more details regarding the ASP sensitivity analysis. For the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017, the Target Group's gross profit was approximately RMB206.4 million, RMB258.7 million, RMB192.2 million, RMB71.4 million and RMB99.1 million respectively, and the Target Group's gross profit margin was approximately 18.1%, 27.4%, 25.0%, 25.2% and 72.4%, respectively.

6.4 Other income and gains

During the Track Record Period, the Target Group's other income and gains mainly included rental income from lease of properties held for sales, interest income on bank deposits, gain on disposal of a subsidiary and others. The following table sets out the breakdown of other income and gains during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income from lease of completed properties held for sales	3,932	7,405	3,340	1,042	647
Interest income on bank deposits	697	687	642	145	115
Government grants	—	100	—	—	—
Compensation from contractors due to delay of work	135	—	45	—	—
Gain on disposal of a subsidiary	5,329	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	56	—	—
Forfeiture of long outstanding payables	86	—	—	—	—
Exchange gains	—	561	16	—	—
Others	1,623	2,048	870	66	47
Total	11,802	10,801	4,969	1,253	809

During the Track Record Period, the Target Group's rental income from lease of completed properties held for sales mainly represented rental income from lease of retail shops held for sales. The proposed Directors believe that the selling price for such properties can be potentially higher if they are packaged with a tenancy agreement.

Gain on disposal of a subsidiary for the year ended 31 December 2014 consisted of the disposal of Changsha Fusheng. On 5 December 2014, the Target Group entered into sale and purchase agreement to dispose its 97% entire equity interest in Changsha Fusheng, an ex-subsidiary of the Target Group principally engaged in providing property management service in the PRC, to an Independent Third Party of the Target Group at a consideration of RMB4,850,000. On the same date, a related party of the Target Group disposed of the remaining 3% equity interest in Changsha Fusheng to the Independent Third Party at a cash consideration of RMB150,000. For further information of the disposal of a subsidiary, please refer to the paragraph headed ''Notes to historical financial information — 28. Disposal of a subsidiary'' in the ''Accountants' report on the Target Group'' in Appendix III to this circular.

6.5 Other expenses and refund

During the Track Record Period, the Target Group's other expenses and refund mainly comprised penalty, compensation for (refund of) late payment of land premium and professional fee in relation to the Acquisition. The following table sets out a breakdown of other expenses and refund of the Target Group for the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Penalty	19	205	—	—	—
Surcharge for late payment of taxes	—	—	1,870	98	—
Written off of disposal of properties, plant and equipment	191	—	—	—	—
Donations	185	90	50	—	—
Compensation for (refund of) late payment of land premium	12,470	(12,470)	—	—	—
Professional fee in relation to the Acquisition	1,180	9,578	12,176	1,305	2,416
Others	198	1	141	127	—
Total	14,243	(2,596)	14,237	1,530	2,416

During the Track Record Period, compensation for late payment of land premium represented a late payment penalty. According to the land use rights grant contract, if a developer fails to pay any outstanding land premium by the stipulated deadline, a late payment penalty of 0.04% or 0.1% (depending on the contract) of the unpaid land premium will be imposed on a daily basis. For the year ended 31 December 2014, compensation for late payment of land premium amounted to approximately RMB12.5 million. The compensation for late payment of land premium for the year ended 31 December 2014 of the amount of approximately RMB12.5 million was fully refunded during the year ended 31 December 2015 as a result of the consensus reached by the relevant PRC authority and the Target Group that

no compensation will be claimed by the local government with regards to the late payment of land premium in relation to a piece of land acquired by Hunan Longxiang, one of the Target Group's subsidiaries, in 2013. For further information of the compensation for (refund of) late payment of land premium, please refer to the paragraph headed "Notes to historical financial information — 8. Other expenses and refund — Note" in the "Accountants' report on the Target Group" in Appendix III to this circular.

For the year ended 31 December 2016, a surcharge for late payment of taxes of approximately RMB1.9 million on the PRC enterprise income tax and other taxes for the assessment year of 2014 for Hunan Weilong arising out of a self-evaluation of Hunan Weilong's tax position as directed by Changsha Tianxin District State Tax Bureau, Supervision — Section 1* (長沙市天心區國家税務局 — 管理一科). For the PRC tax filing and related matters, Changsha Tianxin District State Tax Bureau is the competent tax authority for Hunan Weilong. Changsha Tianxin District State Tax Bureau, Supervision — Section 1 is responsible to perform tax review and audit of real estate development companies in Changsha city. In the first quarter of 2016 pursuant to which the Target Group should have made additional tax payment of approximately RMB25.9 million. As advised by the aforementioned tax authority, the additional tax payment subsequently made in second quarter of 2016 (i) arose out of a differing opinion between Hunan Weilong and the tax authority on how the relevant property project's cost should be allocated between the underground commercial space and residential space above ground which is not explicitly stated in the relevant tax laws; (ii) did not arise out of a breach of the relevant tax laws; (iii) is a matter of timing of the prepayment, and is not expected to have an impact on the final tax account as any excess prepayment will be deducted from the final tax amount at closing; and (iv) has led to this matter being satisfactorily dealt with by Hunan Weilong, and the tax authority does not intend to take any further action. According to the Law of the People's Republic of China on the Administration of Tax Levying (《中華人民共和國税收徵收管理法》), amended on 24 April 2015, if the entity does not pay the full amount of the PRC tax as scheduled, the tax authority shall order the entity to pay the outstanding amount within a prescribed time limit together with a surcharge at the daily rate of 0.05% of such outstanding amount. The Tax Adviser advises that the additional tax payments and the late payment surcharge do not constitute non-compliance of the relevant tax law and regulations, and upon settlement of the additional tax payments and late payment surcharge by May 2016, the tax issue raised has been duly settled.

6.6 Selling and distribution expenses

During the Track Record Period, the Target Group's selling and distribution expenses mainly included sales and marketing staff salary, advertisement expenses, promotion expenses, depreciation costs and other expenses relating to sales and marketing. The following table sets forth a breakdown of the Target Group's selling and distribution expenses for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales and marketing staff salary	3,048	1,700	2,353	897	1,086
Advertisement expenses	11,944	7,956	7,248	1,507	882
Promotion expenses	1,582	1,825	4,877	2,091	1,559
Depreciation costs	130	113	97	39	35
Other expenses	731	2,226	1,777	536	523
Total	17,435	13,820	16,352	5,070	4,085

6.7 Administrative expenses

During the Track Record Period, the Target Group's administrative expenses mainly included employee salary expenses, employee social insurance and benefits expenses, insurance expenses, depreciation and amortisation, travel and hospitality expenses, other tax expenses, general office expenses, fees to professional third parties, rental expenses and others.

The following table sets forth a breakdown of the Target Group's administrative expenses for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Employee salary expenses	6,053	6,821	8,622	4,731	3,547
Employee social insurance and benefit expenses	3,773	3,250	1,656	467	376
Insurance expenses	133	—	—	—	—
Depreciation and amortisation	626	1,555	1,955	468	225
Travel and hospitality expenses	6,537	3,419	2,298	503	286
Other tax expenses	2,571	4,689	3,095	1,165	994
General office expenses	2,341	1,988	1,976	328	363
Fees to professional third parties	369	574	446	127	1,126
Rental expenses	2,860	1,651	1,580	572	427
Others	1,771	1,550	1,749	312	336
Total	27,034	25,497	23,377	8,673	7,680

6.8 Finance costs

During the Track Record Period, the Target Group's finance costs mainly represented interest costs on bank borrowings and other loans. The Target Group capitalises a portion of its costs of borrowings to property under development for sales to the extent that such costs are directly attributable to construction. The period to period fluctuations of the Target Group's finance costs were primarily affected by the amount of borrowings, interests on borrowings and the amount and timing of capitalisation. Please refer to the paragraph headed "10. Analysis of various items from the consolidated statements of financial position — 10.7 Borrowings" in this section for more details.

For the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017, finance costs amounted to approximately RMB1.3 million, RMB0.4 million, RMB22.4 million, RMB13.3 million and nil respectively.

6.9 Income tax expense

Income tax expense represent the current PRC enterprise income tax, PRC land appreciation tax and deferred tax. Under the EIT Law, the tax rate of the PRC subsidiaries of the Target Group was 25% during the Track Record Period. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less certain deductible items including cost of land use rights and all property development expenditures.

The Target Group's income tax expense amounted to approximately RMB71.4 million, RMB109.6 million, RMB54.0 million, RMB19.9 million and RMB34.5 million for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017 respectively. The effective tax rates for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2016 and 2017 were approximately 45.1%, 47.2%, 44.7%, 45.1% and 40.3% respectively.

7. PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

7.1 Four months ended 30 April 2016 compared to the four months ended 30 April 2017

7.1.1 Revenue

The Target Group's revenue decreased by approximately RMB147.3 million or 51.8% from approximately RMB284.1 million for the four months ended 30 April 2016 to approximately RMB136.8 million for the four months ended 30 April 2017. Such decrease was mainly due to the decrease in GFA delivered for Qianlong Premier Mansion, Qianlong Fine Art and Qianlong Royal Family which contributed approximately RMB237.5 million less in revenue. Such decrease was mainly net off by the increase in GFA delivered for Qianlong International which contributed approximately RMB89.5 million more in revenue.

7.1.2 Cost of sales

The Target Group's cost of sales decreased by approximately RMB174.8 million or 82.2% from approximately RMB212.6 million for the four months ended 30 April 2016 to approximately RMB37.8 million for the four months ended 30 April 2017 mainly due to (i) the decrease in land acquisition costs of approximately RMB76.8 million; (ii) the decrease in construction costs of approximately RMB47.2 million; (iii) the decrease in capitalised finance costs of approximately RMB34.2 million; and (iv) the decrease in business tax in relation to property sales of approximately RMB15.1 million, which corresponded to the decrease in the Target Group's revenue.

7.1.3 Gross profit and gross profit margin

The Target Group's gross profit increased by approximately RMB27.7 million or 38.8% from approximately RMB71.4 million for the four months ended 30 April 2016 to approximately RMB99.1 million for the four months ended 30 April 2017. The Target Group's gross profit margin increased to approximately 72.4% for the four months ended 30 April 2017, as compared to the gross profit margin of approximately 25.2% for the four months ended 30 April 2016. The increase in gross profit and gross profit margin was mainly attributable to the increase in proportion of revenue generated from the retail shops in Qianlong International and Qianlong Fine Art which were delivered during the four months ended 30 April 2017 and had a higher ASP as compared to the ASP of other units delivered from other projects during the four months ended 30 April 2016. For the sake of comparison, the GFA of retail shops (which command much higher ASP when compared to other property types as illustrated in the contracted ASP data of the various projects in the section headed "Business of the Target Group — 4.4 Description of the property projects" in this circular) delivered in Qianlong International and Qianlong Fine Art represented approximately 44.9% of

total GFA delivered of all projects for the four months ended 30 April 2017, as compared to approximately 3.8% for the same period in 2016. Moreover, as (i) the majority of the residential and office GFA of Qianlong Fine Art had been delivered in 2016, which resulted in the GFA delivered after 2016 mainly comprising of retail shops and car parks; and (ii) the fact that Phase I of Qianlong International, comprising of only retail shops and car parks, was completed in March 2017 leading to the delivery of high ASP retail shops during the period, the ASP of both projects were recorded at higher levels for the four months ended 30 April 2017 as compared to the same period in 2016. In addition to the increase in proportion of revenue generated from retail shops, the decrease in cost of sales for the period as described above also contributed to the increase in gross profit and gross profit margin.

7.1.4 Other income and gains

The Target Group's other income and gains decreased by approximately RMB0.5 million or 38.5% from approximately RMB1.3 million for the four months ended 30 April 2016 to approximately RMB0.8 million for the four months ended 30 April 2017, which was mainly due to the decrease of rental income of approximately RMB0.4 million from approximately RMB1.0 million for the four months ended 30 April 2016 to approximately RMB0.6 million for the four months ended 30 April 2017.

7.1.5 Other expenses and refund

The Target Group's other expenses increased by approximately RMB0.9 million or 60.0% from approximately RMB1.5 million for the four months ended 30 April 2016 to approximately RMB2.4 million for the four months ended 30 April 2017 which was mainly due to the increase of professional fees in relation to the Acquisition of approximately RMB1.1 million.

7.1.6 Selling and distribution expenses

The Target Group's selling and distribution expenses decreased by approximately RMB1.0 million or 19.6% from approximately RMB5.1 million for the four months ended 30 April 2016 to approximately RMB4.1 million for the four months ended 30 April 2017 which was mainly attributable to (i) the decrease in advertisement expenses of approximately RMB0.6 million; and (ii) the decrease in promotion expenses of approximately RMB0.5 million.

7.1.7 Administrative expenses

The Target Group's administrative expenses decreased by approximately RMB1.0 million or 11.5% from approximately RMB8.7 million for the four months ended 30 April 2016 to approximately RMB7.7 million for the four months ended 30 April 2017 which was mainly due to the decrease in employee salary expenses of approximately RMB1.2 million.

7.1.8 Finance costs

The Target Group's finance costs decreased by approximately RMB13.3 million or 100.0% from approximately RMB13.3 million for the four months ended 30 April 2016 to nil for the four months ended 30 April 2017. Such decrease was mainly due to the Target Group's interest expenses being fully capitalised for the four months ended 30 April 2017 as per the relevant accounting standards.

7.1.9 Income tax expense

The income tax expense increased by approximately RMB14.6 million or 73.4% from approximately RMB19.9 million for the four months ended 30 April 2016 to approximately RMB34.5 million for the four months ended 30 April 2017, mainly due to the combined effects of (i) the increase of current PRC enterprise income tax of approximately RMB10.6 million which was mainly attributable to the increase in profit before taxation; and (ii) the increase of LAT of approximately RMB5.8 million which was mainly due to the higher proportion of commercial properties sold during the four months ended 30 April 2017 which were not eligible for LAT exemption applicable to residential properties. For more details of the LAT, please refer to the paragraph headed "B. Major taxes applicable to property developers — (c) Land Appreciation Tax" in the "Regulatory overview" in Appendix II to this circular. The effective tax rate has decreased from approximately 45.1% for the four months ended 30 April 2016 to approximately 40.3% for the four months ended 30 April 2017.

7.1.10 Profit and total comprehensive income for the period

The Target Group's profit and total comprehensive income increased significantly by approximately RMB27.0 million or 111.6% from approximately RMB24.2 million for the four months ended 30 April 2016 to approximately RMB51.2 million for the four months ended 30 April 2017. Such increase was mainly due to (i) the increase in gross profit and gross profit margin as described above; and (ii) the decrease in finance costs as described above.

7.2 Year ended 31 December 2016 compared to year ended 31 December 2015

7.2.1 Revenue

The Target Group's revenue decreased by approximately RMB174.4 million or 18.5% from approximately RMB942.8 million for the year ended 31 December 2015 to approximately RMB768.4 million for the year ended 31 December 2016. The effect was mainly due to the decrease in GFA delivered for Qianlong Premier Mansion and Qianlong Fine Art which contributed approximately RMB395.3 million less in revenue. Such decrease was mainly net off by the increase in GFA delivered for Qianlong Royal Family which contributed approximately RMB227.0 million more in revenue.

7.2.2 Cost of sales

The Target Group's cost of sales decreased by approximately RMB108.0 million or 15.8% from approximately RMB684.1 million for the year ended 31 December 2015 to approximately RMB576.1 million for the year ended 31 December 2016, mainly due to (i) the decrease in

land acquisition costs of approximately RMB74.1 million; and (ii) the decrease in business tax in relation to property sales of approximately RMB26.4 million, which corresponded to the decrease in the Target Group's revenue.

7.2.3 Gross profit and gross profit margin

The Target Group's gross profit decreased by approximately RMB66.5 million or 25.7% from approximately RMB258.7 million for the year ended 31 December 2015 to approximately RMB192.2 million for the year ended 31 December 2016. The Target Group's gross profit margin decreased to approximately 25.0% for the year ended 31 December 2016, as compared to the gross profit margin of approximately 27.4% for the year ended 31 December 2015. The decrease in gross profit and gross profit margin was mainly attributable to the increase in proportion of revenue generated from the residential units in Qianlong Royal Family which were delivered during the year ended 31 December 2016 and had a lower ASP as compared to the ASP of the units delivered from other projects during the year ended 31 December 2015.

7.2.4 Other income and gains

The Target Group's other income and gains decreased by approximately RMB5.8 million or 53.7% from approximately RMB10.8 million for the year ended 31 December 2015 to approximately RMB5.0 million for the year ended 31 December 2016, which was mainly due to the decrease of rental income of approximately RMB4.1 million from approximately RMB7.4 million for the year ended 31 December 2015 to approximately RMB3.3 million for the year ended 31 December 2016.

7.2.5 Other expenses and refund

The Target Group's other expenses amounted to approximately RMB14.2 million for the year ended 31 December 2016, representing a change from other refund of approximately RMB2.6 million for the year ended 31 December 2015. The change was mainly due to the combined effects of the (i) refund of the compensation for late payment of land premium of Fullsun International Financial Centre of approximately RMB12.5 million during the year ended 31 December 2015 which was non-recurrent in the year ended 31 December 2016; and the (ii) increase of professional fees in relation to the Acquisition of approximately RMB2.6 million.

7.2.6 Selling and distribution expenses

The Target Group's selling and distribution expenses increased by approximately RMB2.6 million or 18.8% from approximately RMB13.8 million for the year ended 31 December 2015 to approximately RMB16.4 million for the year ended 31 December 2016 which was mainly attributable to the increase in promotion expenses of approximately RMB3.1 million.

7.2.7 Administrative expenses

The Target Group's administrative expenses decreased by approximately RMB2.1 million or 8.2% from approximately RMB25.5 million for the year ended 31 December 2015 to approximately RMB23.4 million for the year ended 31 December 2016 which was mainly due to the decrease in other tax expenses of approximately RMB1.6 million.

7.2.8 Finance costs

The Target Group's finance costs increased by approximately RMB22.0 million or 5,500.0% from approximately RMB0.4 million for the year ended 31 December 2015 to approximately RMB22.4 million for the year ended 31 December 2016. Such increase was mainly due to (i) most of the Target Group's interest expense being capitalised for the year ended 31 December 2015 as per the relevant accounting standards; and (ii) the interest expenses arising from the other financing arrangement for the Target Group's project, namely Qianlong Premier Mansion, not being eligible for capitalisation during the year ended 31 December 2016 due to the completion of the relevant construction works for the project.

7.2.9 Income tax expense

The income tax expense decreased by approximately RMB55.6 million or 50.7% from approximately RMB109.6 million for the year ended 31 December 2015 to approximately RMB54.0 million for the year ended 31 December 2016 mainly due to the combined effects of (i) the decrease of current PRC enterprise income tax of approximately RMB34.6 million which was mainly attributable to the decrease in profit before taxation; and (ii) the decrease of LAT of approximately RMB18.7 million which was mainly due to the lower proportion of commercial properties sold by the Target Group during the year ended 31 December 2016 as compared to the previous year which were not eligible for LAT exemption applicable to residential properties. For more details of the LAT, please refer to the paragraph headed "B. Major taxes applicable to property developers — (c) Land Appreciation Tax" in the "Regulatory overview" in Appendix II to this circular.

The effective tax rate has decreased from approximately 47.2% for the year ended 31 December 2015 to approximately 44.7% for the year ended 31 December 2016.

7.2.10 Profit and total comprehensive income for the period

The Target Group's profit and total comprehensive income decreased significantly by approximately RMB55.9 million or 45.6% from approximately RMB122.7 million for the year ended 31 December 2015 to approximately RMB66.8 million for the year ended 31 December 2016. Such decrease was mainly due to (i) the decrease in revenue and gross profit as described above; and (ii) increase in finance costs as described above.

7.3 Year ended 31 December 2015 compared to year ended 31 December 2014

7.3.1 Revenue

The Target Group's revenue decreased by approximately RMB194.9 million or 17.1% from approximately RMB1,137.7 million for the year ended 31 December 2014 to approximately RMB942.8 million for the year ended 31 December 2015 mainly due to the net effects of (i) the significant decrease in GFA delivered of approximately 44,505 sq.m. for Qianlong Premier Mansion, which resulted in a decrease in revenue from Qianlong Premier Mansion of approximately RMB357.0 million; (ii) the significant increase in ASP of approximately RMB4,559/sq.m. for Qianlong Fine Art, which contributed to an increase in revenue from Qianlong Fine Art of approximately RMB127.1 million; and (iii) the significant increase in GFA delivered of approximately 16,875 sq.m. for Qianlong Royal Family, which contributed to an increase in revenue from Qianlong Royal Family of approximately RMB85.6 million.

7.3.2 Cost of sales

The Target Group's cost of sales decreased by approximately RMB247.2 million or 26.5% from approximately RMB931.3 million for the year ended 31 December 2014 to approximately RMB684.1 million for the year ended 31 December 2015, mainly due to the decrease in GFA delivered which resulted in the corresponding decrease in recognised (i) construction costs of approximately RMB99.4 million; (ii) land acquisition costs of approximately RMB109.9 million, (iii) capitalised finance costs of approximately RMB12.1 million; and (iv) business tax in relation to property sales of approximately RMB9.9 million.

7.3.3 Gross profit and gross profit margin

The Target Group's gross profit increased by approximately RMB52.2 million or 25.3% from approximately RMB206.4 million for the year ended 31 December 2014 to approximately RMB258.7 million for the year ended 31 December 2015. The Target Group's gross profit margin was approximately 27.4% for the year ended 31 December 2015, representing an increase as compared to the gross profit margin of approximately 18.1% for the year ended 31 December 2014. The significant increase in the gross profit margin was mainly attributable to the comparatively higher ASP from the retail shops delivered in Qianlong Fine Art during the year ended 31 December 2015.

7.3.4 Other income and gains

The Target Group's other income and gains decreased by approximately RMB1.0 million or 8.5% from approximately RMB11.8 million for the year ended 31 December 2014 to approximately RMB10.8 million for the year ended 31 December 2015, mainly due to the combined effects of (i) the increase in rental income from the lease of completed properties held for sales of approximately RMB3.5 million attributable to the completion of Phase III of Qianlong Fine Art in August 2014 making such units available for rent during the year ended 31 December 2015; and (ii) the gain on disposal of a subsidiary, Changsha Fusheng, of approximately RMB5.3 million recorded during the year ended 31 December 2014 and such amount was non-recurrent in the year ended 31 December 2015.

7.3.5 Other expenses and refund

The Target Group's other refund amount to approximately RMB2.6 million for the year ended 31 December 2015, representing a change from other expenses of approximately RMB14.2 million for the year ended 31 December 2014, mainly due to the combined effects of (i) refund of the compensation for late payment of land premium of Fullsun International Financial Centre during the year ended 31 December 2015, which amounted to approximately RMB12.5 million; and (ii) the increase of professional fees of approximately RMB8.4 million.

7.3.6 Selling and distribution expenses

The Target Group's selling and distribution expenses decreased by approximately RMB3.6 million or 20.7% from approximately RMB17.4 million for the year ended 31 December 2014 to approximately RMB13.8 million for the year ended 31 December 2015. Such decrease was mainly attributable to the decrease in advertisement expenses of approximately RMB4.0 million.

7.3.7 Administrative expenses

The Target Group's administrative expenses decreased by approximately RMB1.5 million or 5.6% from approximately RMB27.0 million for the year ended 31 December 2014 to approximately RMB25.5 million for the year ended 31 December 2015, mainly due to the decrease in travel and hospitality expenses as a result of the government's anti-graft campaign.

7.3.8 Finance costs

The Target Group's finance costs decreased by approximately RMB0.9 million or 69.2% from approximately RMB1.3 million for the year ended 31 December 2014 to approximately RMB0.4 million for the year ended 31 December 2015. Such decrease was mainly due to interest expenses arising from the financing arrangement for the Target Group's project, namely Qianlong Fine Art and Qianlong Premier Mansion, which could not be capitalised after the completion of relevant construction works during the year ended 31 December 2014. On the other hand, finance costs arising from the relevant borrowings during the year ended 31 December 2015 had been substantially capitalised as per the relevant accounting standards.

7.3.9 Income tax expense

The income tax expense increased significantly by approximately RMB38.2 million or 53.5% from approximately RMB71.4 million for the year ended 31 December 2014 to approximately RMB109.6 million for the year ended 31 December 2015 mainly due to (i) the increase of current PRC enterprise income tax of approximately RMB17.6 million which was mainly attributable to the growth in profit generated from Qianlong Fine Art; and (ii) the significant increase of LAT as the Target Group sold a higher proportion of commercial properties which were not eligible for LAT exemption applicable to residential properties during the year ended 31 December 2015. For more details of the LAT, please refer to the paragraph headed "B. Major taxes applicable to property developers — (c) Land Appreciation Tax" in the "Regulatory overview" in Appendix II to this circular.

The effective tax rate has increased from approximately 45.1% for the year ended 31 December 2014 to approximately 47.2% for the year ended 31 December 2015.

7.3.10 ***Profit and total comprehensive income for the period***

The Target Group's profit and total comprehensive income increased significantly by approximately RMB35.9 million or 41.4% from approximately RMB86.8 million for the year ended 31 December 2014 to approximately RMB122.7 million for the year ended 31 December 2015. Such increase was mainly due to the growth in gross profit and gross profit margin as described above.

8. LIQUIDITY AND CAPITAL RESOURCES

The Target Group had met its liquidity requirements principally through a combination of internal cash resources, cash generated from operating activities, shareholders' contributions, bank borrowings and other borrowings during the Track Record Period. After the Completion, the Restructured Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities. The Restructured Group will rely on cash generated from operating activities, bank borrowings, other borrowings and net proceeds from the Share Placing and CB Placing.

8.1 Cash flows

The following table sets forth the cash flows for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash and cash equivalents at the beginning of year/period	185,397	53,395	213,261	213,261	260,304
Net cash (used in)/from operating activities	(459,593)	429,032	425,552	119,752	132,981
Net cash (used in)/from investing activities	(1,690,113)	(27,076)	(5,257)	550	(7,015)
Net cash from/(used in) financing activities	2,017,704	(242,090)	(373,252)	115,319	(30,836)
Net (decrease)/increase in cash and cash equivalents	(132,002)	159,866	47,043	235,621	95,130
Cash and cash equivalents at the end of year/period, represented by bank balances and cash	53,395	213,261	260,304	448,882	355,434

8.2 Net cash (used in)/from operating activities

During the Track Record Period, the Target Group's net cash (used in)/from operating activities mainly represented its profit before income tax, being adjusted for depreciation, interest expenses and income, gain on disposal of a subsidiary, the effects of changes in working capital and income tax paid.

For the year ended 31 December 2014, the Target Group had net cash used in operating activities of approximately RMB459.6 million, primarily as a result of profit before income tax of approximately RMB158.2 million, and primarily combined with the net effects of the following factors as extracted from the consolidated statements of cash flows of the ''Accountants' report on the Target Group'' in Appendix III to this circular: (i) the decrease in deposits received for sale of properties of approximately RMB715.4 million mainly due to the recognition of pre-sold proceeds received from customers as revenue as a result of the commencement of delivery of completed properties of Phase III of Qianlong Fine Art, Phase I of Qianlong Premier Mansion and stage I of Phase I of Qianlong Royal Family; and (ii) the decrease in inventory of properties of approximately RMB46.0 million due to the net effects of (a) the increase in inventory of properties due to the addition of inventory of properties under development of Phase II of Qianlong Premier Mansion, stage II of Phase I of Qianlong Royal Family, Phase II of Qianlong Royal Family, Qianlong International and Fullsun International Financial Centre, which was partially offset by (b) the completion and delivery of properties of Phase III of Qianlong Fine Art, Phase I of Qianlong Premier Mansion and stage I of Phase I of Qianlong Royal Family; and the capitalised finance cost are accounted for as cash flows used in financing activities.

For the year ended 31 December 2015, the Target Group had net cash from operating activities of approximately RMB429.0 million, primarily as a result of an approximately 46.8% increase of profit before income tax of approximately RMB232.3 million compared with the corresponding period of the previous year because of (i) the increase in the Target Group's gross profit and gross profit margin due to the delivery of retail shops in Qianlong Fine Art with comparatively higher ASP; and (ii) decrease in cost of sales mainly due to the decrease in GFA delivered which resulted in the corresponding decrease in recognised construction costs, land acquisition costs, capitalised finance costs and business tax, and primarily combined with the net effects of the following factors as extracted from the consolidated statements of cash flows of the ''Accountants' report on the Target Group'' in Appendix III to this circular: (i) the decrease in inventory of properties of approximately RMB402.4 million mainly due to the cost recognition arising out of the delivery of completed properties of four projects; (ii) the decrease in deposits received for sale of properties of approximately RMB80.1 million mainly due to delivery of completed properties in certain buildings in Qianlong Royal Family and Qianlong Premier Mansion; and (iii) the increase in financial assets of fair value through profit or loss of approximately RMB91.1 million.

For the year ended 31 December 2016, the Target Group had net cash from operating activities of approximately RMB425.6 million, primarily as a result of profit before income tax of approximately RMB120.8 million, and primarily combined with the net effects of the following factors as extracted from the consolidated statements of cash flows of the ''Accountants' report on the Target Group'' in Appendix III to this circular: (i) the decrease in

inventory of properties of approximately RMB128.4 million mainly due to the delivery of residential properties from Qianlong Premier Mansion and Qianlong Royal Family; (ii) the increase in deposits received for sale of properties of approximately RMB55.7 million mainly due to the pre-sale in Phase II of Qianlong Royal Family; and the (iii) decrease in financial assets at fair value through profit or loss of approximately RMB91.1 million.

For the four months ended 30 April 2017, the Target Group had net cash from operating activities of approximately RMB133.0 million, primarily as a result of profit before income tax of approximately RMB85.7 million, and primarily combined with the net effects of the following factors as extracted from the consolidated statements of cash flows of the "Accountants' report on the Target Group" in Appendix III to this circular: (i) the increase in inventory of properties of approximately RMB17.8 million mainly due to addition of inventory of properties under development from Qianlong International; (ii) the decrease in trade and other payables and accruals of approximately RMB11.4 million; and (iii) the increase in deposits received for sale of properties of approximately RMB86.6 million which was mainly due to the pre-sale of Phase II of Qianlong Royal Family.

8.3 Net cash (used in)/from investing activities

For the year ended 31 December 2014, the Target Group had net cash used in investing activities of approximately RMB1,690.1 million, which was mainly attributable to (i) net advances to related companies of approximately RMB473.5 million; and (ii) net advances to third parties of approximately RMB1,220.3 million.

For the year ended 31 December 2015, the Target Group had net cash used in investing activities of approximately RMB27.1 million, which was mainly attributable to (i) net advances to related companies of approximately RMB15.4 million; and (ii) net additions of pledged/restricted bank deposit of approximately RMB5.3 million.

For the year ended 31 December 2016, the Target Group had net cash used in investing activities of approximately RMB5.3 million, which was mainly attributable to the net addition of approximately RMB5.3 million of pledged/restricted bank deposits.

For the four months ended 30 April 2017, the Target Group had net cash used in investing activities of approximately RMB7.0 million, which was mainly attributable to (i) the net addition of approximately RMB2.0 million of pledged/restricted bank deposits; and (ii) the payment of guarantee deposit of approximately RMB5.0 million.

8.4 Net cash from/(used in) financing activities

For the year ended 31 December 2014, the Target Group had net cash from financing activities of approximately RMB2,017.7 million, which was mainly attributable to (i) net additions of borrowings of approximately RMB180.7 million; (ii) net advances from related parties of approximately RMB1,385.4 million; and (iii) net advances from third parties of approximately RMB655.9 million. This was partially offset by interest paid of approximately RMB204.6 million.

For the year ended 31 December 2015, the Target Group had net cash used in financing activities of approximately RMB242.1 million, which was mainly attributable to (i) net repayment of borrowings of approximately RMB42.8 million; and (ii) the payment for transfer of equity interests in subsidiaries of approximately RMB218.5 million; and (iii) interest paid of approximately RMB290.3 million. This was partially offset by advances from immediate holding company of approximately RMB310.8 million.

For the year ended 31 December 2016, the Target Group had a net cash used in financing activities of approximately RMB373.3 million, which was mainly attributable to (i) the net repayment of borrowings of approximately RMB183.8 million; and (ii) interest paid of approximately RMB203.4 million.

For the four months ended 30 April 2017, the Target Group had net cash used in financing activities of approximately RMB30.8 million, which was mainly attributable to the interest paid of approximately RMB35.3 million.

9. NET CURRENT ASSETS

The table below sets forth the breakdown of the Target Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2014	2015	2016	2017	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Inventory of properties	2,424,471	2,293,543	2,352,543	2,425,561	2,839,304
Trade and other receivables and prepayments	18,240	20,952	16,481	19,780	32,519
Amount due from immediate holding company	306	—	—	—	—
Prepaid income tax	20,439	25,627	25,944	30,379	35,145
Financial assets at fair value through profit or loss ("**FVTPL**")	—	91,073	—	—	—
Pledged/restricted bank deposits	222	—	—	—	—
Bank balances and cash	53,395	213,261	260,304	355,434	350,092
	2,517,073	2,644,456	2,655,272	2,831,154	3,257,060
Current liabilities					
Trade and other payables and accruals	99,400	81,554	137,442	144,446	372,916
Deposits received for sale of properties	220,633	140,566	196,280	282,902	564,404
Amounts due to related companies	249,319	18,570	12,871	12,871	12,871
Amount due to immediate holding company	—	310,793	324,763	329,226	331,324
Income tax payable	67,158	158,314	168,935	200,907	211,741
Borrowings — due within one year	561,783	1,058,909	—	500,000	1,005,000
	1,198,293	1,768,706	840,291	1,470,352	2,498,256
Net current assets	1,318,780	875,750	1,814,981	1,360,802	758,804

The net current assets of the Target Group decreased by approximately RMB443.0 million or 33.6% from approximately RMB1,318.8 million as at 31 December 2014 to approximately RMB875.8 million as at 31 December 2015 which was primarily attributable to (i) the increase in borrowings due within one year of approximately RMB497.1 million; (ii) the increase in amount due to immediate holding company of approximately RMB310.8 million; (iii) the increase in income tax payable of approximately RMB91.2 million mainly due to the increase in PRC enterprise income tax payable due to the growth in profit generated from Qianlong Fine Art during the year ended 31 December 2015 and the increase in LAT tax payable due to the higher proportion of commercial properties which are not eligible for LAT exemption applicable to residential properties during the year ended 31 December 2015; and (iv) the decrease in inventory of properties of approximately RMB130.9 million mainly due to the delivery of completed properties of Phase II of Qianlong Premier Mansion and Phase I of Qianlong Royal Family. Such effects were partially offset by (i) the increase in bank balances and cash of approximately RMB159.9 million because of the significant increase of net cash from operating activities as detailed in the paragraph headed "8. Liquidity and capital resources — 8.2 Net cash (used in)/from operating activities" in this section; (ii) the decrease in amount due to related companies of approximately RMB230.7 million; and (iii) the increase in financial assets at fair value through profit or loss of approximately RMB91.1 million.

The net current assets of the Target Group increased by approximately RMB939.2 million or 107.2% as at 31 December 2016 compared with the level as at 31 December 2015, which was primarily attributable to the decrease in borrowings due within one year of approximately RMB1,058.9 million mainly due to the full repayment of the Sichuan Trust Financing Arrangement of approximately RMB140.0 million, full repayment of the loan from a trust company of approximately RMB280.0 million, full repayment of the Boshi Capital Financing Arrangement of approximately RMB290.0 million and the full repayment of the loan from Nanchang Bank of approximately RMB348.9 million. Such decrease in borrowings due within one year is netted off by the increase in trade and other payables and accruals of approximately RMB55.9 million and the increase in deposits received for sale of properties of approximately RMB55.7 million as detailed in the paragraphs headed "10. Analysis of various items from the consolidated statements of financial position — 10.5 Trade and other payables and accruals" and "10.6 Deposits received for sale of properties" in this section.

As at 30 April 2017, the Target Group had net current asset of approximately RMB1,360.8 million, representing a decrease of approximately RMB454.2 million or 25.0% from approximately RMB1,815.0 million as at 31 December 2016. Such decrease was mainly attributable to (i) the increase in deposits received for sale of properties of approximately RMB86.6 million; and (ii) the increase in borrowings due within one year of approximately RMB500.0 million, which was mainly offset by (i) the increase in inventory of properties of approximately RMB73.0 million; and (ii) the increase in bank balances and cash of approximately RMB95.1 million.

As at 31 August 2017, the Target Group had unaudited net current asset of approximately RMB758.8 million, representing a decrease of approximately RMB602.0 million or 44.2% from approximately RMB1,360.8 million as at 30 April 2017. Such decrease was mainly attributable to (i) the increase in trade and other payables and accruals of approximately RMB228.5 million; (ii) the increase in deposits received for sale of properties of approximately

RMB281.5 million; and (iii) the increase in borrowings due within one year of approximately RMB505.0 million, which was mainly offset by the increase in inventory of properties of approximately RMB413.7 million.

10. ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

10.1 Total equity (net assets)

The Target Group's total equity increased from approximately RMB148.3 million as at 31 December 2014 to approximately RMB247.9 million as at 31 December 2015, mainly attributable to its profitable operations. The Target Group's total equity further increased from approximately RMB247.9 million as at 31 December 2015 to approximately RMB314.7 million as at 31 December 2016 primarily because of its business profitability. The Target Group's total equity further increased from RMB314.7 million as at 31 December 2016 to approximately RMB365.9 million as at 30 April 2017 primarily due to its business profitability.

10.2 Inventory of properties

Inventory of properties principally consisted of the Target Group's completed properties for sale and properties under development for sale, and were all classified as current assets in the consolidated statements of financial position during the Track Record Period. The Target Group had inventory of properties of approximately RMB2,424.5 million, RMB2,293.5 million, RMB2,352.5 million and RMB2,425.6 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively. The changes in inventory of properties from period to period are generally due to the additions to properties under development as construction progresses on the various projects and the amount of completed properties delivered during the period. The following table sets forth the breakdown of the Target Group's inventory of properties as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties for sale	405,845	524,616	203,777	396,574
Properties under development for sale	2,018,626	1,768,927	2,148,766	2,028,987
Total	2,424,471	2,293,543	2,352,543	2,425,561

10.2.1 Completed properties for sale

Completed properties for sale represented the completed properties that have not been delivered to customers as at each of the reporting dates. Changes in the amount of completed properties for sale during the Track Record Period were mainly affected by the sales and delivery of completed properties during the year and the amount of construction works which

had been completed during the year. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group had completed properties for sale of approximately RMB405.8 million, RMB524.6 million, RMB203.8 million and RMB396.6 million respectively.

The amount of completed properties for sale increased by approximately RMB118.8 million or 29.3% from approximately RMB405.8 million as at 31 December 2014 to approximately RMB524.6 million as at 31 December 2015. Such change was primarily attributable to the accumulated capitalised cost of Phase II of Qianlong Premier Mansion which remain undelivered as at 31 December 2015 were transferred from properties under development for sale to completed properties for sale due to completion of the construction work.

The amount of completed properties for sale decreased by approximately RMB320.8 million or 61.2% from approximately RMB524.6 million as at 31 December 2015 to approximately RMB203.8 million as at 31 December 2016. Such change was mainly attributable to the delivery of Phase II of Qianlong Royal Family.

The amount of completed properties for sale increased by approximately RMB192.8 million or 94.6% from approximately RMB203.8 million as at 31 December 2016 to approximately RMB396.6 million as at 30 April 2017. Such change was primarily attributable to Qianlong International which had portions of it transferred from properties under development for sale to completed properties for sale due to completion of the construction work.

Based on the Target Group's internal records, approximately RMB25.7 million or 6.5% of completed properties for sale which remained unsold as at 30 April 2017 were subsequently sold and contracted up to 31 July 2017.

10.2.2 Properties under development for sale

Balance of properties under development for sale during the Track Record Period represented the capitalised costs of properties under development as at each reporting date based on the development schedule. Upon the satisfaction of condition as completed properties ready for delivery, the respective accumulated capitalised costs of these completed properties would be transferred from properties under development for sale to completed properties for sale. Properties under development for sale including properties which are expected to be completed more than twelve months from the end of the respective reporting period which amounted to approximately RMB1,231.4 million, RMB1,517.9 million, RMB1,722.2 million and RMB1,735.9 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively. As at 31 December 2014, 2015 and 2016 and 30 April 2017, properties under development for sale of the Target Group amounted to approximately RMB2,018.6 million, RMB1,768.9 million, RMB2,148.8 million and RMB2,029.0 million respectively.

Based on the Target Group's internal records, approximately RMB146.6 million or 7.2% of properties under development for sale which remained unsold as at 30 April 2017 were subsequently sold/pre-sold and contracted up to 31 July 2017.

Balance of properties under development for sale decreased by approximately RMB249.7 million or 12.4% from approximately RMB2,018.6 million as at 31 December 2014 to approximately RMB1,768.9 million as at 31 December 2015. The decrease was mainly due to the transfer of the accumulated capitalised cost of Phase II of Qianlong Premier Mansion from properties under development for sales to completed properties for sale in view of the completion of the construction works, or cost recognition upon delivery of these properties to customers.

Balance of properties under development for sale increased by approximately RMB379.9 million or 21.5% from approximately RMB1,768.9 million as at 31 December 2015 to approximately RMB2,148.8 million as at 31 December 2016. The increase was mainly because of the commencement of construction work since the commencement permits for Phase I of Qianlong International and Fullsun International Financial Centre were received from the relevant local governmental authorities in March 2016.

Balance of properties under development for sale decreased by approximately RMB119.8 million or 5.6% from approximately RMB2,148.8 million as at 31 December 2016 to approximately RMB2,425.6 million as at 30 April 2017. The decrease was mainly due to the transfer from properties under development for sale to completed properties for sale for Qianlong International due to the completion of the construction works.

Based on the Target Group's internal records, approximately RMB172.4 million or 7.1% of inventory of properties which remained unsold as at 30 April 2017 were subsequently sold/ pre-sold and contracted up to 31 July 2017.

10.3 Trade and other receivables and prepayments

The following table sets forth the breakdown of the Target Group's trade and other receivables and prepayments as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,164	2,966	2,779	2,902
Other receivables	6,987	9,283	11,967	11,164
Guarantee deposit	—	—	—	5,000
Prepayments to suppliers	5,057	2,204	1,250	1,669
Prepaid other taxes	3,032	6,499	485	4,045
Total	18,240	20,952	16,481	24,780

10.3.1 Trade receivables

Trade receivables of the Target Group as at each reporting date during the Track Record Period represented property purchase consideration that had not been paid upon the delivery of the property purchased or outstanding payment for property management fee to be made by

customers. The Target Group recorded trade receivables of approximately RMB3.2 million, RMB3.0 million, RMB2.8 million and RMB2.9 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

In accordance with the terms of the sale and purchase agreements that the Target Group enters into with its customers, the purchase consideration is payable within 90 days from the date of agreement. Certain property purchasers use their housing fund contributions to pay for the purchase consideration through the application to the Housing Provident Fund Bureau, and in such case, certain portion of consideration (3% to 5%) will be settled by the Housing Provident Fund Bureau upon the release of building ownership certificate to the property buyers. As per the terms of the relevant property service agreements, property management fee income should normally be settled within 30 days from the issuance of invoices.

Balance of trade receivables decreased by approximately RMB0.2 million or 6.3% from approximately RMB3.2 million as at 31 December 2014 to approximately RMB3.0 million as at 31 December 2015 due to the decrease in revenue and the increase in consideration being settled by the Housing Provident Fund Bureau upon the release of individual property owner certificate to the property buyers.

Balance of trade receivables decreased by approximately RMB0.2 million or 6.7% from approximately RMB3.0 million as at 31 December 2015 to approximately RMB2.8 million as at 31 December 2016 because of the increase in settlement of the consideration for stage I of Phase I of Qianlong Royal Family.

Balance of trade receivables remained stable at approximately RMB2.8 million as at 31 December 2016 and approximately RMB2.9 million as at 30 April 2017.

The following aging analysis of trade receivables was based on the date of delivery of properties to the customers or the invoice date of management fee at the end of each reporting period:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	—	2,921	—	82
31 to 90 days	—	17	—	—
91 to 180 days	—	—	191	—
181 to 365 days	2,239	—	2,560	456
Over 1 year	925	28	28	2,364
Total	3,164	2,966	2,779	2,902

Trade receivables at the end of each reporting period mainly related to those buyers who applied for the Housing Provident Fund contributions to pay for the consideration and the final portion will be settle by the Housing Provident Fund Bureau upon the release of building

ownership certificate to the property buyers which is subject to completion of certain procedures and/or approvals which are not in the direct control of the Target Group. As such procedures and/or approvals are still ongoing, the exact settlement date is not scheduled. The proposed Directors estimate that out of the trade receivables aged over 1 year of approximately RMB2.4 million as at 30 April 2017, approximately 50% would be settled by the end of the year ending 31 December 2017, while the remaining 50% would be settled by the second quarter of the year ending 31 December 2018. The trade receivables as at 31 December 2014, 2015 and 2016 and 30 April 2017 are considered not yet past due. No allowance for doubtful debts on trade receivables was provided during the Track Record Period, taking into account the past low default rate and the concentration risk is limited because the customer base is large and unrelated. Approximately 1.2% of trade receivables as at 30 April 2017 had been subsequently settled up to 31 July 2017.

The Target Group's trade receivables turnover days were approximately 0.7 days, 1.2 days, 1.4 days and 2.5 days for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2017 respectively. The Target Group calculated its trade receivables turnover days as the average of beginning and ending total trade receivables for the period, divided by revenue for the period, and multiplied by the number of days in the relevant period.

10.3.2 Other receivables

Other receivables include, but not limited to, employees reserve fund, deposits to third parties, property maintenance fund paid by the Target Group on behalf of the customers and social insurance paid by the Target Group on behalf of the employees. The Target Group recorded other receivables of approximately RMB7.0 million, RMB9.3 million, RMB12.0 million and RMB11.2 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balances of other receivables increased by approximately RMB2.3 million or 32.9% from approximately RMB7.0 million as at 31 December 2014 to approximately RMB9.3 million as at 31 December 2015 mainly due to the increase in deposits to third parties of approximately RMB3.5 million. Balances of other receivables increased by approximately RMB2.7 million or 29.0% from approximately RMB9.3 million as at 31 December 2015 to approximately RMB12.0 million as at 31 December 2016 primarily because of (i) the increase in deposit to third parties of approximately RMB3.1 million; and (ii) the decrease of approximately RMB0.5 million of pledged deposit made to banks as a security for mortgage loans applied by customers were deducted by the bank as a result of the default in payment of the mortgage loans by the customers. Arbitration proceedings were still in progress or at enforcement stage for amount which could not be recovered through friendly negotiation. For further details, please refer to the section headed "Business of the Target Group — 16. Legal proceedings and compliance — 16.1 Legal proceedings" in this circular. Balance of other receivables decreased by approximately RMB0.8 million or 6.7% from approximately RMB12.0 million as at 31 December 2016 to approximately RMB11.2 million as at 30 April 2017 primarily because of the decrease in deposit to third parties of approximately RMB1.9 million.

10.3.3 ***Guarantee deposits***

Balance of guarantee deposits represents the guarantee deposits paid to a trust company for the security of trust loan provided to the Target Group which will be released upon the settlement of the trust loan. The Target Group recorded guarantee deposits of approximately RMB5.0 million as at 30 April 2017 and nil as at 31 December 2014, 2015 and 2016 respectively. The increase of guarantee deposits of approximately RMB5.0 million from nil as at 31 December 2016 to approximately RMB 5.0 million as at 30 April 2017 was mainly due to the guarantee deposit paid to Daye Trust Co., Ltd, a trust company, during the four months ended 30 April 2017 as a security for a trust loan of approximately RMB500 million provided to the Target Group which will be released upon the settlement of the trust loan in December 2018.

10.3.4 ***Prepayments to suppliers***

Prepayments to suppliers primarily comprise prepayments to construction contractors or service providers for property development. The Target Group recorded prepayments to suppliers of approximately RMB5.1 million, RMB2.2 million, RMB1.3 million and RMB1.7 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balance of prepayments to suppliers decreased by approximately RMB2.9 million or 56.9% from approximately RMB5.1 million as at 31 December 2014 to approximately RMB2.2 million as at 31 December 2015. The decrease was mainly due to the completion of construction work of Phase I of Qianlong Royal Family, hence the prepayments to construction contractors for development of Phase I of Qianlong Royal Family were transferred from prepayment to suppliers to cost recognition upon delivery of these properties to customers. Balance of prepayments to suppliers decreased by approximately RMB0.9 million or 40.9% from approximately RMB2.2 million as at 31 December 2015 to approximately RMB1.3 million as at 31 December 2016 which was mainly due to the completion of construction work for Qianlong Premier Mansion and thus the prepayments made to construction contractors were recognised as cost upon delivery of these properties to customers. Balance of prepayments to suppliers increased by approximately RMB0.4 million or 30.8% from approximately RMB1.3 million as at 30 April 2016 to approximately RMB1.7 million as at 30 April 2017 which was mainly due to increase in prepayments made to construction contractors for Fullsun International Financial Centre during the four months ended 30 April 2017.

10.3.5 ***Prepaid other taxes***

Prepaid other taxes primarily comprise prepaid business tax and other surcharges. The prepaid business tax is normally prepaid based on 5% of the property purchase consideration received. The Target Group recorded prepaid other taxes of approximately RMB3.0 million, RMB6.5 million, RMB0.5 million and RMB4.0 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively. The period to period fluctuations of the Target Group's balance of the prepaid other taxes were primarily affected by the fluctuations of the deposits received for sale of properties. Balance of prepaid other taxes increased from approximately RMB3.0 million as at 31 December 2014 to approximately RMB6.5 million as at 31 December 2015, representing an increase of approximately RMB3.5 million or 116.7% mainly due to the increase in the accumulated pre-sold proceeds of Phase II of Qianlong Royal Family which

have generated prepaid other tax effect. Balance of prepaid other taxes decreased from approximately RMB6.5 million as at 31 December 2015 to approximately RMB0.5 million as at 31 December 2016, representing a decrease of approximately RMB6.0 million or 92.3% primarily because of the recognition of pre-sold proceeds received from customers as revenue for Phase II of Qianlong Royal Family upon delivery of the completed properties. Balance of prepaid other taxes increased from approximately RMB0.5 million as at 31 December 2016 to approximately RMB4.0 million as at 30 April 2017, representing an increase of approximately RMB3.5 million or 700.0% primarily because of the increase in pre-sale proceeds for Phase II of Qianlong Royal Family which have generated prepaid other tax effect.

10.4 Pledged/restricted bank deposits

The following table sets forth the breakdown of the Target Group's pledged/restricted bank deposits as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged/restricted bank deposits				
— Deposit pledged for mortgage loans applied by customers	25,021	30,484	23,995	24,225
— Deposit pledged for bank borrowings for the Target Group	222	—	—	—
— Security deposit for workers of property projects	6,690	6,713	18,458	20,272
	31,933	37,197	42,453	44,497
Pledged/restricted bank deposits				
— current	222	—	—	—
— non-current	31,711	37,197	42,453	44,497
	31,933	37,197	42,453	44,497

The Target Group's pledged/restricted deposits carry interest at prevailing market rates which range from 0.35% to 0.385%, 0.35% to 0.385%, 0.35% and 0.35% per annum as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

10.4.1 Deposit pledged for mortgage loans applied by customers

Deposit pledged for mortgage loans applied by customers consist of the Target Group's bank deposits which are pledged to the banks to secure the mortgage loans applied by the customers as a guarantee and will be released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans or upon the full settlement of mortgage loans by the customers. As at 31 December 2014, 2015 and 2016 and 30 April 2017,

the Target Group had deposit pledged for mortgage loans applied by customers of approximately RMB25.0 million, RMB30.5 million, RMB24.0 million and RMB24.2 million respectively. The amount of the deposit pledged for mortgage loans applied by customers is affected by (i) the release of guarantee upon the receipt of the building ownership certificate of the relevant properties by the banks from customers as security for the mortgage loans or upon the full settlement of mortgage loans by the customers; and (ii) the increase in new mortgage loans applied by customers.

10.4.2 ***Deposit pledged for bank borrowings for the Target Group***

The pledged/restricted bank deposits for bank borrowings for the Target Group represent the Target Group's pledged deposits to secure bank borrowings from banks as a guarantee for financing the construction and development of the property development projects of the Target Group. The balance of deposit pledged for bank borrowings for Target Group amounted to approximately RMB0.2 million as at 31 December 2014 and nil as at 31 December 2015 and 2016 and 30 April 2017.

Balance of pledged/restricted bank deposits for bank borrowings for the Target Group decreased from approximately RMB0.2 million as at 31 December 2014 to nil as at 31 December 2015 and 2016 and 30 April 2017, mainly due to the repayment of a bank borrowing granted by the bank for the Target Group which required pledged deposits as guarantee.

10.4.3 ***Security deposit for workers of property projects***

The property development project companies are required by relevant PRC regulations to place certain bank deposits in restricted bank accounts and they will be utilised to compensate for the construction workers in case the contractors of the project companies failed to pay for the salaries of those workers. Such deposits would be released upon the completion of the property projects. As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group had security deposit for workers of property projects of approximately RMB6.7 million, RMB6.7 million, RMB18.5 million and RMB20.3 million respectively.

The security deposit for workers of property projects remained stable at approximately RMB6.7 million as at 31 December 2014 and 2015.

The security deposit for workers of property projects increased by approximately RMB11.8 million or 176.1% from approximately RMB6.7 million as at 31 December 2015 to approximately RMB18.5 million as at 31 December 2016 mainly due to the commencement of construction works for Qianlong International and Fullsun International Financial Centre during the year ended 31 December 2016.

The security deposit for workers of property projects increased by approximately RMB1.8 million or 9.7% from approximately RMB18.5 million as at 31 December 2016 to approximately RMB20.3 million as at 30 April 2017 mainly due to the security deposit placed for workers of Qianlong Royal Family Phase II which is under construction during the four months ended 30 April 2017.

10.5 Trade and other payables and accruals

The following table sets forth the breakdown of the Target Group's trade and other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	31,545	23,784	22,420	20,021
Retention payables	2,021	3,612	1,060	1,077
Interest payable	25,513	7,339	13,764	32,148
Other payables	9,642	9,096	6,979	5,243
Other tax payables	4,010	14,995	7,820	10,826
Deposit received	3,738	1,423	1,440	1,440
Accrued construction costs	20,930	16,683	80,131	72,091
Other accruals	2,001	4,622	3,828	1,600
Total	99,400	81,554	137,442	144,446

10.5.1 Trade payables and retention payables

Trade payables as at each reporting date during the Track Record Period mainly represented payables to third party contractors for construction works. Payment to contractors by the Target Group is made in stages in accordance with the terms and conditions stipulated in the construction agreement signed between the relevant project company and the contractors. The government's standard main construction agreement generally provides for progressive monthly payment during the construction period until a specified maximum percentage of the total contract sum is paid. The progressive monthly payment may depend on the amounts of work done by the Target Group's contractors as certified by the qualified third party construction supervisory companies engaged by the Target Group on a monthly basis. In general, the main contractors and some of the specialised contractors would have received approximately 80% or 85% of the total payment upon completion of a project. At closing and settlement, the Target Group will normally settle approximately 95% or 97% of the total payment, and retain approximately 3% or 5% as retention money, which is used to cover any contingent expenses incurred as a result of any construction defects during the warranty period provided by the relevant contractor. Such retention payables are normally settled approximately 2 years or more after the completion of the construction works. Some of the specialised contractors would only receive payments in two or three stages. For payments in two stages, payments would be payable (i) upon signing of the construction agreement; and (ii) at completion. For payment in three stages, an additional interim payment would be required upon commencement of construction. The Target Group may or may not retain any payment as retention money from these specialised contractors subject to the construction agreements.

Trade payables decreased by approximately RMB7.7 million or 24.4% from approximately RMB31.5 million as at 31 December 2014 to approximately RMB23.8 million as at 31 December 2015 mainly because parts of construction fees payable to main construction contractors of Qianlong Fine Art and Qianlong Academy had been settled as at 31 December 2015. Trade payables decreased by approximately RMB1.4 million or 5.9% from approximately RMB23.8 million as at 31 December 2015 to approximately RMB22.4 million as at 31 December 2016 mainly due to the settlement of bills for settlement of construction fees payable to main construction contractors for construction works of Qianlong Fine Art and Qianlong Royal Family. Trade payables decreased by approximately RMB2.4 million or 10.7% from approximately RMB22.4 million as at 31 December 2016 to approximately RMB20.0 million as at 30 April 2017 mainly due to combined effect of (i) the settlement of bills for settlement of construction fee payable to main construction contractors for construction works of Qianlong Fine Art, Qianlong Royal Family and Qianlong Premier Mansion; and (ii) the increment in payables to third party contractors for construction work of Qianlong International.

Retention payables increased by approximately RMB1.6 million or 80.0% from approximately RMB2.0 million as at 31 December 2014 to approximately RMB3.6 million as at 31 December 2015 mainly due to issuance of bills for settlement of construction fees payables as a result of the completion of stage II of Phase I of Qianlong Royal Family. Retention payables decreased by approximately RMB2.5 million or 69.4% from approximately RMB3.6 million as at 31 December 2015 to approximately RMB1.1 million as at 31 December 2016 mainly due to the settlement of the retention payables for stage I of Phase I of Qianlong Royal Family as a result of the expiration of its warranty period. Retention payables remained stable at approximately RMB1.1 million as at 31 December 2016 and 30 April 2017.

The following table sets forth the trade payables turnover days for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2014	**2015**	**2016**	**2017**
Trade payables turnover days	9.9 days	14.8 days	14.6 days	67.4 days

The Target Group's trade payables turnover days were approximately 9.9 days, 14.8 days, 14.6 days and 67.4 days for the years ended 31 December 2014, 2015 and 2016 and for the four months ended 30 April 2017.

Trade payables turnover days are calculated as the average of beginning and ending total trade payables for the period which are affected by the scale of development activities conducted during the relevant period, divided by the cost of sales which are affected by the properties completed and delivered during the relevant period, and multiplied by the number of days in the period. The fluctuation in trade payables turnover days was primarily due to the combined effects of amount of properties completed and delivered during the relevant period and the construction schedule of construction project during the relevant period. It is noted that the Target Group's trade payables turnover days increased significantly from approximately

14.6 days for the years ended 31 December 2016 to approximately 67.4 days for the four months ended 30 April 2017. This was mainly due to the significant decrease in proportion of the Target Group's cost of sales during the four months ended 30 April 2017, mainly due to the decrease in GFA delivered of the same period, in proportion to the Target Group's trade payable balance, which remained stable as at 30 April 2017, as compared to as at 31 December 2016 and therefore gave rise to a resulting calculation of higher trade payable turnover days. As the trade payables mainly represented the outstanding progressive payment, which are mainly certified by qualified third party construction supervisory companies engaged by the Target Group, where the relevant third party contractors have yet to issue a formal demand note/formal payment request, and the recognition of cost of sales depends on the timing of delivery of properties to the customers, there is then no immediate correlation between the two figures. Hence, due to the timing mismatch between recording trade payables and recognising cost of sales, the trade payables turnover days may continue to fluctuate in accordance with the property development schedule.

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 60 days	16,609	13,367	8,433	2,760
61 to 180 days	10,863	7,460	4,080	4,635
181 to 365 days	2,594	211	6,350	3,286
Over 1 year	1,479	2,746	3,557	9,340
	31,545	23,784	22,420	20,021

The credit period for trade payables ranged from 0 to 30 days. The proposed Directors confirm that the trade payables has been settled and will continue to be settled within the credit period granted by the relevant third party contractors after they issue a formal demand note/formal payment request. During the Track Record Period and up to the Latest Practicable Date, the proposed Directors confirm that the Target Company did not have any litigation, arbitration or claim of material importance from any of its subcontractors and had not caused material defaults in payment of trade and retention payables.

Approximately 20.8% of trade payables as at 30 April 2017 had been subsequently settled up to 31 July 2017.

10.5.2 Interest payable

Interest payable primarily consisted of interest payable to banks or financial institutions. The period to period fluctuations of the Target Group's balance of the interest payable were primarily affected by the amount of outstanding loans and the amount of interest liability arising out of such outstanding loans as at each of the reporting dates. Target Group recorded interest payable of approximately RMB25.5 million, RMB7.3 million, RMB13.8 million and RMB32.1 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balance of interest payable decreased by approximately RMB18.2 million or 71.4% from approximately RMB25.5 million as at 31 December 2014 to approximately RMB7.3 million as at 31 December 2015 mainly due to (i) the decrease in interest payable of approximately RMB8.5 million arising out of a borrowing for development of Fullsun International Financial Centre; and (ii) the repayment of loan of approximately RMB250.0 million for financing construction and development of Qianlong Academy and Qianlong Fine Art. For further information about the Target Group's borrowings, please refer to the paragraph headed "10.7 Borrowings" in this section.

Balance of interest payable increased by approximately RMB6.5 million or 89.0% from approximately RMB7.3 million as at 31 December 2015 to approximately RMB13.8 million as at 31 December 2016, mainly because of (i) the interest payable arising from the loan from Huaxia Bank with a principal of approximately RMB1,000.0 million; and (ii) the interest payable arising from the loan from Daye Trust Co., Ltd. with a principal of approximately RMB500.0 million.

Balance of interest payable increased by approximately RMB18.3 million or 132.6% from approximately RMB13.8 million as at 31 December 2016 to approximately RMB32.1 million as at 30 April 2017, mainly because of (i) the interest payable arising from the loan from Huaxia Bank with a principal of approximately RMB1,000.0 million; and (ii) the interest payable arising from the loan from Daye Trust Co., Ltd. with a principal of approximately RMB500.0 million.

10.5.3 ***Other payables***

During the Track Record Period, the Target Group's other payables primarily consisted of (i) performance guarantee received from construction contractors and tenants; (ii) deposits received from construction contractors as a guarantee for tender process; (iii) amounts received on behalf of third parties from customers for property management purposes upon delivery of properties; and (iv) the deposits received for sale of properties that is required to be refunded to the respective customers due to the difference between pre-sold GFA of the properties and delivered GFA of the properties. The Target Group recorded other payables of approximately RMB9.6 million, RMB9.1 million, RMB7.0 million and RMB5.2 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balance of other payables decreased by approximately RMB0.5 million or 5.2% from approximately RMB9.6 million as at 31 December 2014 to approximately RMB9.1 million as at 31 December 2015. Balance of other payables decreased by approximately RMB2.1 million or 23.1% from approximately RMB9.1 million as at 31 December 2015 to approximately RMB7.0 million as at 31 December 2016 primarily due to the decrease of the deposits received for sale of properties that is required to be refunded to the respective customers due to the difference between the delivered GFA and the pre-sold GFA during the relevant year. Balance of other payables decreased by approximately RMB1.8 million or 25.7% from approximately RMB7.0 million as at 31 December 2016 to approximately RMB5.2 million as at 30 April 2017 primarily due to (i) the decrease of deposits received from construction contractors; and (ii) the decrease of deposits received for sale of properties that is required to be refunded to the respective customers due to the difference between the delivered GFA and the pre-sale GFA during the relevant year.

10.5.4 Accrued construction costs

Accrued construction costs primarily represented the unbilled portion of construction and development costs actually completed and not recorded as trade payable as at the end of the respective periods.

The Target Group recorded accrued construction costs of approximately RMB20.9 million, RMB16.7 million, RMB80.1 million and RMB72.1 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balance of accrued construction costs decreased by approximately RMB4.2 million or 20.1% from approximately RMB20.9 million as at 31 December 2014 to approximately RMB16.7 million as at 31 December 2015 mainly due to the fact that the respective accrued construction costs for construction of Phase III of Qianlong Fine Art and Qianlong Academy were either transferred from accrued construction costs to trade payables or had been settled. Balance of accrued construction costs increased by approximately RMB63.4 million or 379.6% from approximately RMB16.7 million as at 31 December 2015 to approximately RMB80.1 million as at 31 December 2016 mainly due to the increase of accrued construction costs incurred for construction and development of Qianlong Royal Family Phase II, Qianlong International and Fullsun International Financial Centre. Balance of accrued construction costs decreased by approximately RMB8.0 million or 10.0% from approximately RMB80.1 million as at 31 December 2016 to approximately RMB72.1 million as at 30 April 2017 mainly due to the respective accrued construction costs for construction of Qianlong International being either transferred from accrued construction costs to trade payables or had been settled.

10.6 Deposits received for sale of properties

Deposits received for sale of properties primarily consisted of deposits and instalments received from customers in respect of sale or pre-sale of properties prior to delivery of the completed properties which are recorded as current liabilities in the consolidated statements of financial position. Pre-sale proceeds received on sales of properties are recognised as revenue when the relevant properties have been completed and delivered to the customers. Balance of deposits received for sale of properties was approximately RMB220.6 million, RMB140.6 million, RMB196.3 million and RMB282.9 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balance of deposits received for sales of properties decreased by approximately RMB80.0 million or 36.3% from approximately RMB220.6 million as at 31 December 2014 to approximately RMB140.6 million as at 31 December 2015 primarily due to the fact that upon the delivery of completed properties of stage II of Phase I of Qianlong Royal Family and Phase II of Qianlong Premier Mansion, the deposits received for sale of these properties which remain undelivered as at 31 December 2014 were recognised as revenue as at 31 December 2015. Balance of deposits received for sale of properties increased by approximately RMB55.7 million or 39.6% from approximately RMB140.6 million as at 31 December 2015 to approximately RMB196.3 million as at 31 December 2016 due to sale and pre-sale proceeds received for sale of Phase I and II of Qianlong Royal Family. Balance of deposits received for sale of properties increased by approximately RMB86.6 million or 44.1% from approximately RMB196.3 million as at 31 December 2016 to approximately RMB282.9 million as at 30 April 2017 mainly due to sale and pre-sale proceeds received for sale of Phase II of Qianlong Royal Family.

10.7 Borrowings

As at 31 December 2014, 2015 and 2016 and 30 April 2017, the Target Group had total borrowings of approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million respectively. All borrowings owed by the Target Group as at 31 December 2014, 2015 and 2016 and 30 April 2017 were denominated in RMB.

The following table sets forth the breakdown of the borrowings of the Target Group as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans, secured	665,698	348,909	—	—
Loans from third parties, secured	1,095,993	1,370,000	1,495,128	1,496,679
Loan from a third party, unsecured	—	—	40,000	40,000
	1,761,691	1,718,909	1,535,128	1,536,679

Borrowings of the Target Group during the Track Record Period mainly consisted of secured bank loans and loans from third parties. Secured bank loans primarily consisted of loan agreements entered into by the Target Group and the banks. The loans from third parties primarily consisted of the borrowings under trust and other arrangements which are (i) secured by certain property development projects undertaken by the relevant subsidiaries; and/or (ii) the ownership of the property project companies legally transferred to the lenders as collateral for borrowings and the Target Group has repurchase obligations at the maturity date of the loans and the repurchased amount is pre-determined in the financing agreements. For further information of these latter type of third parties loans with repurchase obligation, please refer to the paragraph headed "10.8 Other financing with repurchase obligation" in this section.

The carrying amounts and details of the loans from third parties are set out in the following table:

Name of subsidiary	Loan financing arrangement	Equity interest of property companies transferred to the lenders	The Target Group has repurchase obligations	Maturity date	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
					RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hunan Weilong	Beijing Zangshan Financing Arrangement[1]	Yes	Yes	August 2015	246,993	—	—	—
Hunan Zhonglv	Boshi Capital Financing Arrangement[2]	Yes	Yes	October 2016	400,000	290,000	—	—
Hunan Longxiang	Sichuan Trust Financing Arrangement[3]	Yes	Yes	April 2016	169,000	140,000	—	—
Hunan Fullsun Group	N/A[6]	No	No	June 2016	280,000	280,000	—	—
Hunan Fullsun	Zhuhai Oriental Financing Arrangement[4]	Yes	Yes	January 2017	—	500,000	—	—
Hunan Weilong	N/A[7]	No	No	February 2018	—	160,000	—	—
Fuzhou Fullsun Group	N/A[8]	No	No	July 2018	—	—	1,000,000	1,000,000
Fuzhou Fullsun Group	N/A[9]	No	No	July 2018	—	—	40,000	40,000
Hunan Fullsun	2016 Daye Trust Financing Arrangement[5]	Yes	Yes	December 2018	—	—	495,128	496,679
					1,095,993	1,370,000	1,535,128	1,536,679

Notes:

1. Beijing Zangshan, Fujian Fusheng Group, Hunan Fullsun Group, Hunan Weilong, Fusheng Group and Mr. Pan entered into an investment framework agreement, with a maximum amount of available financing of RMB446.1 million, for financing the construction and development of Qianlong Fine Art and Qianlong Academy (the "**Beijing Zangshan Financing Arrangement**"). Further information on how such loan financing arrangement operates is set out in the paragraph headed "Key terms of other financing with repurchase obligation during the Track Record Period" in this section.

2. Dongxing Investment, Boshi Capital, Hunan Fullsun Group, Hunan Zhonglv and Fujian Fusheng Group entered into an investment cooperation agreement, with a maximum amount of available financing of RMB400 million, for financing the construction and development of Qianlong Premier Mansion (the "**Boshi Capital Financing Arrangement**"). Further information on how such loan financing arrangement operates is set out in the paragraph headed "Key terms of other financing with repurchase obligation during the Track Record Period" in this section.

3. Hunan Longxiang and Hunan Fullsun Group entered into a trust financing arrangement with Sichuan Trust, with a maximum amount of available financing of RMB400 million, for financing the construction and development of Fullsun International Financial Centre (the "**Sichuan Trust Financing Arrangement**"). Further information on how such loan financing arrangement operates is set out in the paragraph headed "Key terms of other financing with repurchase obligation during the Track Record Period" in this section.

4. Beijing Oriental, Zhuhai Oriental, Hunan Fullsun, Hunan Fullsun Group, Fujian Fusheng Group, Fusheng Group and Mr. Pan entered into an investment framework agreement, with a maximum amount of available financing of RMB500 million, for financing the construction and development of Qianlong Royal Family and repayment of loan (the "**Zhuhai Oriental Financing Arrangement**"). Further information on how such loan financing arrangement operates is set out in the paragraph headed "Key terms of other financing with repurchase obligation during the Track Record Period" in this section.

5. Hunan Fullsun Group and Daye Trust entered into a trust financing arrangement ("**2016 Daye Trust Financing Arrangement**"), with a maximum amount of available financing of RMB500 million, for repayment of the loan from the Bohai Bank Co., Ltd. (Dalian Branch). Further information on how such loan financing arrangement operates is set out in the paragraph headed "Key terms of other financing with repurchase obligation during the Track Record Period" in this section.

6. The loan is provided by a trust company in August 2015, which is interest bearing at a fixed rate of 13.5% per annum and secured by properties held for sale and equity interest in Hunan Weilong of the Target Group. The loan is fully repaid by Hunan Weilong in advance in August 2016.

7. The loan is provided by a trust company in June 2014, which is interest bearing at a fixed rate of 12% per annum and secured by properties under development for sale of the Target Group. The loan is guaranteed by Mr. Pan and Fusheng Group.

8. The loan is provided by 蕪湖滙德叁號投資中心(有限合夥)(Wuhu Huide No. 3 Investment Centre LLP*), an investment company and an independent third party, and drawn down by the Target Group from April to July 2016, which is interest bearing at a fixed rate of 8% in the first year and 11% in the second year and secured by properties under development for sale and equity interest in Hunan Longxiang and Hunan Shengran of the Target Group, and also secured by properties held for sales in Hunan Weilong of the Target Group. The effective interest rate of the loan is 9.5% per annum. As advised by the PRC Legal Advisers, such loan is in compliance with the PRC laws and regulations.

9. The loan is provided by 福州俊豐金屬製品有限公司 (Fuzhou Junfeng Metal Co., Ltd*), a manufacturing company and an independent third party which is also a major customer of the Remaining Group for the year ended 31 March 2017, in July 2016, which is unsecured and interest bearing at a fixed rate of 8% per annum. As advised by the PRC Legal Advisers, such loan is in compliance with the PRC laws and regulations.

The following table shows the maturity profile of the borrowings carrying interest at the variable rate and fixed rate as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The borrowings are repayable:				
Current				
— Within one year (shown under current liabilities)	561,783	1,058,909	—	500,000
Non-current				
— More than one year, but not exceeding two years	1,199,908	500,000	1,535,128	1,036,679
— More than two years but not exceeding five years	—	160,000	—	—
	1,761,691	1,718,909	1,535,128	1,536,679
Variable rate borrowings	19,319	—	—	—
Fixed rate borrowings	1,742,372	1,718,909	1,535,128	1,536,679
	1,761,691	1,718,909	1,535,128	1,536,679

The range of effective interest rates per annum of borrowings at the end of each reporting period were as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	per annum	*per annum*	*per annum*	*per annum*
Variable-rate borrowings	5.8%–7.5%	N/A	N/A	N/A
Fixed–rate borrowings	6.2%–16.2%	12.0%–14.5%	8.0%–10.1%	8.0%–10.1%

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	per annum	*per annum*	*per annum*	*per annum*
Loans from commercial banks	5.8%–7.5%	13.5%	—	—
Loans from third parties	12.1%–16.2%	12.0%–14.5%	8.0%–10.1%	8.0%–10.1%

The balance of borrowings were approximately RMB1,761.7 million, RMB1,718.9 million, RMB1,535.1 million and RMB1,536.7 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively.

Balance of borrowings decreased by approximately RMB42.8 million or 2.4% from approximately RMB1,761.7 million as at 31 December 2014 to approximately RMB1,718.9 million as 31 December 2015 which was primarily attributable to the combined effects of (i) the repayment of borrowing of approximately RMB110.0 million for financing the development of Qianlong Premier Mansion; (ii) the repayment of borrowing of approximately RMB87.0 million for financing and development of Qianlong Academy and Qianlong Fine Art; (iii) the increase in borrowing of approximately RMB181.2 million for financing the construction and development of Qianlong Royal Family; and (iv) the repayment of borrowing of approximately RMB29.0 million for financing the development of Qianlong International.

Balance of borrowings decreased by approximately RMB183.8 million or 10.7% from approximately RMB1,718.9 million as at 31 December 2015 to approximately RMB1,535.1 million as at 31 December 2016, which was mainly due to the repayment of borrowings of approximately RMB1,718.9 million for the financing of the development of Qianlong Fine Art, Qianlong Premier Mansion, Qianlong Royal Family and Fullsun International Financial Centre. Such decrement in borrowings was partially offset by the addition of borrowings of approximately RMB1,535.1 million for financing the construction and development of Fullsun International Financial Centre and Qianlong International.

Balance of borrowings remained stable at approximately RMB1,535.1 million as at 31 December 2016 and approximately RMB1,536.7 million as at 30 April 2017.

During the Track Record Period, some of the Target Group's bank and other loans were secured by guarantee or joint guarantee provided by related parties, either Fujian Fusheng Group; Mr. Pan; Fusheng Group, Fujian Fusheng Group and Mr. Pan; Fusheng Group and Mr. Pan; or Fusheng Group, Mr. Pan and Ms. Chen Weihong. The amount of loan facilities utilised by the Target Group with guarantee by related parties were approximately RMB1,442.9 million, RMB1,558.9 million, nil and nil as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively. For further information about the guarantee provided by related parties to the Target Group in favour of the lenders in respect of the loan facilities, please refer to note 33 to the paragraph headed ''Related party balances and transactions'' in the ''Accountants' report on the Target Group'' in Appendix III to this circular.

During the Track Record Period, the Target Group also pledged the following assets to secure certain banking and other facilities granted to the Target Group and contractors of the Target Group and the mortgage loans granted to the customers of the Target Group as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits	25,243	30,484	23,995	24,225
Properties under development for sale	1,613,986	1,284,503	1,065,202	1,065,202
Completed properties for sale	33,350	210,950	82,399	68,940
	1,672,579	1,525,937	1,171,596	1,158,367
Net assets of certain subsidiaries	244,192	213,436	303,688	345,634

The balance of pledged assets were approximately RMB1,672.6 million, RMB1,525.9 million, RMB1,171.6 million and RMB1,158.4 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively. The aggregate principal amount of bank loans borrowed by the contractors was RMB92.0 million and assets were pledged to secure the banking and other facilities granted to the contractors of the Target Group as at 31 December 2014.

The proposed Directors note from the paragraph headed "12. Key financial ratios analysis" in this section that as at 30 April 2017, the Target Group had gearing ratio and debt to equity ratio of approximately 420.0% and 322.9% respectively. As explained in the same section, the Target Group's gearing ratio and debt to equity ratio remained at high levels during the Track Record Period mainly due to (i) high levels of borrowings; and (ii) lowered equity mainly due to the acquisition of additional/full interests of subsidiaries under common control due to the reorganisation of the Target Group before the Track Record Period and during the year ended 31 December 2014. For additional information on the aforementioned decrease in equity, please refer to the "Consolidated statements of changes in equity" and the relevant notes in the "Accountants' report on the Target Group" in Appendix III to this circular.

In relation to the high gearing ratio and debt to equity ratio of the Target Group, the proposed Directors are of the view that this situation is primarily attributable to the Target Group's strategy to fully utilise the bank and other borrowings available in the construction and development of its property projects against the future cash flows generated from proceeds received from pre-sale of property under development and proceeds received from sale of completed projects. The proposed Directors further consider that the high gearing ratio and debt to equity ratio should not be used as the sole indication of the liquidity risk faced by the Target Group as its experience in the property development industry allows it to properly manage such risk having considered the maturity profile of the Target Group's indebtedness and forecast sales of the Target Group's properties. In addition, the proposed Directors also note that (i) the Target Group has net current assets of approximately RMB1,318.8 million,

RMB875.8 million, RMB1,815.0 million and RMB1,360.8 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively which remained at healthy levels during the Track Record Period; (ii) as per the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular, the Restructured Group would have (a) unaudited pro forma total interest-bearing debts of approximately HK$1,933.7 million; (b) unaudited pro forma net interest-bearing debts of approximately HK$686.3 million; and (c) unaudited pro forma total equity of approximately HK$1,374.3 million, translating into pro forma gearing ratio of approximately 140.7% and pro forma debt to equity ratio of approximately 49.9%; and (iii) based on the "Unaudited pro forma financial information of the Restructured Group" in Appendix V to this circular and assuming the issuance of the Convertible Bonds does not proceed as expected, the Restructured Group would have (a) adjusted unaudited pro forma total interest-bearing debts of approximately HK$1,734.7 million; (b) adjusted unaudited pro forma net interest-bearing debts of approximately HK$686.3 million; and (c) adjusted unaudited pro forma total equity of approximately HK$1,374.3 million, translating into adjusted pro forma gearing ratio of approximately 126.2% and adjusted pro forma debt to equity ratio of approximately 49.9% which illustrate a significant improvement of the gearing position of the Restructured Group is expected after SP Completion.

The proposed Directors confirm that the Target Group (i) has not caused any defaults in payment of trade and non-trade payables and bank and other borrowings; (ii) does not have any difficulty in obtaining credit facilities; and (iii) does not experience any early repayment request or withdrawal of banking facilities during the Track Record Period and up to the Latest Practicable Date.

The Target Group's financing arrangements during the Track Record Period are subject to certain covenants which when breached, can result in demand of early repayment by the relevant financial institution. The proposed Directors confirm that the Target Group has not breached any covenants under its financing arrangements during the Track Record Period and up to the Latest Practicable Date. The major covenants vary and are generally summarised as: (i) the respective guarantors and borrowers have not experienced any incidents which would seriously and adversely affect the repayment ability, such as termination of business, winding-up, bankruptcy or revoking of business license by the government; (ii) the value of collateral under the respective borrowings has not experienced adverse decrease; (iii) the operations of guarantors and borrowers have not experienced any deterioration during the contractual period; (iv) the respective borrowers did not raise other borrowing or financing, or provide guarantee to third parties without the consignor's consent; (v) the borrowing was utilised according to the purposes as stated in the respective agreements; (vi) the borrowers did not fail to repay the principal or interest of the borrowing according to the repayment schedule stated in the agreement; (vii) the borrowers were not involved in any material litigation, or under any arbitration or administrative penalty procedure; (viii) the information provided by the respective guarantors and borrowers is true and accurate; (ix) the borrowers did not conduct any illegal business operation; and (x) the shareholders of the Target Group did not misappropriate the funding or major assets, resulting in negative influence on repayment ability and the lender's funding security.

The proposed Directors also confirm that the Target Group does not have any unutilised and unrestricted banking facilities as at the Latest Practicable Date.

The proposed Directors consider that it is not necessary for the Target Group to obtain a standby line of facilities as (i) it only obtains loans for the amount required to fund the Target Group's acquisition for real estate development companies with land banks, development costs and operations as projected by the Target Group's team of management with years of experience in the industry; and (ii) obtaining standby line of facilities would inevitably add to the finance costs of the Target Group which are otherwise not necessary in the course of the Target Group's operations.

As advised by the PRC Legal Advisers, in accordance with the Circular of the People's Bank of China on Further Strengthening the Management of the Real Estate Credit Business (中國人民銀行關於進一步加強房地產信貸業務管理的通知) and the Circular of the General Office of the CBRC on Further Strengthening the Supervision of Trust Companies in connection with Real Estate and Securities Business (中國銀監會辦公廳關於加強信托公司房地產、證券業務監管有關問題的通知), a trust company and/or commercial bank is prohibited from providing loans to real estate development enterprises for the purpose of paying land transfer prices. Further, as advised by the PRC Legal Advisers, the Target Group may use the loans obtained from the commercial banks or trust companies to acquire real estate development companies with land banks, provided that (i) the use of loan is in compliance with the loan agreement; and (ii) not less than 25% of the total investment amount for the construction project developed by such real estate development company has been completed. As confirmed by the Target Group, it did not and does not intend to use the loans obtained from the trust companies and/or commercial banks to pay for land transfer prices.

10.8 Other financing with repurchase obligation

10.8.1 Overview

In addition to bank loans, the Target Group has obtained other financing with repurchase obligation from lenders which are generally trust companies in the PRC. Such other financing with repurchase obligation is an alternative source of funds for property developers in the PRC and are available to borrowers in various forms, including equity transfers, capital injections, equity acquisitions, shareholder loans, or secured entrusted loans. The financing arrangements with repurchase obligations are non-cancellable and all the upside and downside potential of the property projects are retained by the Target Group and this makes the Target Group still retain substantially all of the risks and rewards of ownership of the property project companies. Under financing arrangements with repurchase obligation with the lenders, the Target Group has the contractual obligations to buy-back the equity interests in the subsidiaries from the lenders at the pre-determined price at the date of maturity of the financing arrangements. In addition, the Target Group still maintained control over the subsidiaries during the period of the financing arrangements under the relevant criteria set out in HKFRS 10 "Consolidated financial statements". Based on the facts and circumstances, the equity interests in subsidiaries transferred to the lenders were in substance the security for the financing arrangements and the cash consideration or the capital injected by the lenders are in substance the loans granted to the Target Group and were accounted for as the financial liabilities in the consolidated financial statements of the Target Group. In view of the above, financing arrangements with repurchase obligations or being secured by property projects undertaken by the subsidiaries, are classified as secured loans. Further information on how these other financing with repurchase obligation operates is set out in the paragraph headed "10.9 Key terms of other financing with repurchase obligation during the Track Record Period" in this section.

During the Track Record Period, the Target Group obtained other financing with repurchase obligation to fund some of its property development projects. The following table sets forth certain information on the Target Group's other financing with repurchase obligation:

Item	Lender	Effective annual interest rate	End date	Share of project company pledged/ transferred		Carrying amount as at 31 December 2014	2015	2016	30 April 2017
						(RMB in millions)			
Borrowing project company Hunan Longxiang									
1	Sichuan Trust[1]	14.5%	April 2016	49.15%	##	169.0	140.0	—	—
				50.85%	#				
Borrowing project company Hunan Fullsun									
2	Bohai Bank Co., Ltd. (Dalian Branch)*[2]	13.5%	January 2017	49.00%	##	—	500.0	—	—
				51.00%	#				
3	Daye Trust Co., Ltd.[3]	10.1%	December 2018	49.00%	##	—	—	495.1	496.7
				51.00%	#				
Sub-total						—	500.0	495.1	496.7
Borrowing project company Hunan Weilong									
4	Beijing Zangshan[4]	16.2%	August 2015	49.00%	##	247.0	—	—	—
				51.00%	#				
Borrowing project company Hunan Zhonglv									
5	Daye Trust Co., Ltd.*[5]	14.0%	October 2016	49.00%	##	400.0	290.0	—	—
				51.00%	#				
Sub-total						400.0	290.0	—	—
Total						816.0	930.0	495.1	496.7

\# *Pledged*

\#\# *Transferred*

* *for identification purpose only*

Notes:

1. Hunan Longxiang and Hunan Fullsun Group entered into a trust financing arrangement with Sichuan Trust, with a maximum amount of available financing of RMB400 million, for financing the construction and development of Fullsun International Financial Centre. Under the Sichuan Trust Financing Arrangement, 49.15% equity interest of Hunan Longxiang was transferred to Sichuan Trust, with the remaining 50.85% equity interest of Hunan Longxiang held by the Target Group pledged to Sichuan Trust to secure the borrowing. The Sichuan Trust Financing Arrangement was also guaranteed by Hunan Fullsun Group and Fusheng Group and personally guaranteed by Mr. Pan and his wife, Ms. Chen Weihong. In April 2016, the Sichuan Trust Financing Arrangement was fully repaid, and the 49.15% equity interest in Hunan Longxiang was transferred back to the Target Group. Upon the aforementioned repayment, such borrowing was replaced by a new financing arrangement, with 蕪湖滙德三號投資中心 (Wuhu Huide Number 3 Investment Centre*) ("**Wuhu Huide**"), 華夏銀行股份有限公司 (Hua Xia Bank Company Limited) ("**Hua Xia Bank**") and Fuzhou Fullsun Group (the "**Hua Xia Financing Arrangement**") in April 2016. Under the Huaxia Financing Arrangement, Wuhu Huide entrusted Hua Xia Bank as the lender for granting facility.

2. Beijing Oriental, Zhuhai Oriental, Hunan Fullsun, Hunan Fullsun Group, Fujian Fusheng Group, Fusheng Group and Mr. Pan entered into an investment framework agreement, with a maximum amount of available financing of RMB500 million, for financing the construction and development of Qianlong Royal Family and repayment of loan. Under the Zhuhai Oriental Financing Arrangement, Beijing Oriental entrusted 東興證券股份有限公司 (Dongxing Security Co. Ltd*) which in turn entrusted Bohai Bank Co., Ltd. (Dalian Branch)* as the lender for granting financing. Pursuant to the Zhuhai Oriental Financing Arrangement, 49.0% equity interest of Hunan Fullsun was transferred to Zhuhai Oriental with the remaining 51.0% equity interest of Hunan Fullsun held by the Target Group and five land use rights owned by Hunan Fullsun pledged to Bohai Bank Co., Ltd. (Dalian Branch)* to secured the borrowing. The Zhuhai Oriental Financing Arrangement was also guaranteed by Fusheng Group and personally guaranteed by Mr. Pan and his wife, Ms. Chen Weihong. The pledge under Zhuhai Oriental Financing Arrangement was released on 19 December 2016. On 15 December 2016, Hunan Fullsun Group and Zhuhai Oriental entered into an equity transfer agreement, pursuant to which Zhuhai Oriental transferred its 49% equity interest in Hunan Fullsun back to Hunan Fullsun Group at a consideration of RMB196,395,185, which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed on 19 December 2016. Upon completion of such equity transfer, Hunan Fullsun was wholly owned by Hunan Fullsun Group.

3. Hunan Fullsun Group and Daye Trust entered into a trust financing arrangement, with a maximum amount of available financing of RMB500 million, for repayment of the loan from the Bohai Bank Co., Ltd. (Dalian Branch). Pursuant to such financing arrangement with 大業信託有限責任公司 (Daye Trust Co., Ltd.*) ("**Daye Trust**"), on 21 December 2016, Hunan Fullsun Group and Daye Trust entered into an equity transfer agreement, pursuant to which Hunan Fullsun Group transferred its 49% equity interest in Hunan Fullsun to Daye Trust at a consideration of RMB196,395,185 which was determined with reference to the paid-up registered capital at the time of transfer. Such equity transfer was properly and legally completed and settled on 21 December 2016. Upon completion of such equity transfer, Hunan Fullsun was owned as to 51% by Hunan Fullsun Group and 49% by Daye Trust. Hunan Fullsun Group pledged its entire equity interest in Hunan Fullsun in favour of Daye Trust as security for the performance of the obligations by Hunan Fullsun under the financing arrangement with Daye Trust.

4. Beijing Zangshan, Fujian Fusheng Group, Hunan Fullsun Group, Hunan Weilong, Fusheng Group and Mr. Pan entered into an investment framework agreement, with a maximum amount of available financing of RMB446.1 million, for financing the construction and development of Qianlong Fine Art and Qianlong Academy. Under the Beijing Zangshan Financing Arrangement, 49% equity interest of Hunan Weilong was transferred to Beijing Zangshan with the remaining 51% equity interest of Hunan Weilong held by the Target Group pledged to Beijing Zangshan to secure the borrowing. The Beijing Zangshan Financing Arrangement was also guaranteed by Fusheng Group, Fujian Fusheng Group and Hunan Fullsun and personally guaranteed by Mr. Pan. In August 2015, the Beijing Zangshan Financing Arrangement was fully repaid, and the 49% equity interest in Hunan Weilong was transferred back to the Target Group. Upon the aforementioned repayment, such borrowing was replaced by a new financing arrangement, with 上海東興投資控股發展有限公司 (Shanghai Dongxing Investment Holding Co., Ltd.*) ("**Dongxing Investment**"), Beijing Zangshan, Hunan Weilong and Hunan Fullsun Group (the "**Daye Trust Financing Arrangement**") in August 2015. Under the Daye Trust Financing Arrangement, Dongxing Investment entrusted Daye Trust as the lender for granting financing.

5. Dongxing Investment, Boshi Capital, Hunan Fullsun Group, Hunan Zhonglv and Fujian Fusheng Group entered into an investment cooperation agreement, with a maximum amount of available financing of RMB400 million, for financing the construction and development of Qianlong Premier Mansion. Under the Boshi Capital Financing Arrangement, Dongxing Investment entrusted Boshi Capital which in turn entrusted 大業信託有限責任公司 (Daye Trust Co., Ltd.*) ("**Daye Trust**") as the lender for granting financing. Pursuant to the Boshi Capital Financing Arrangement, 49.0% equity interest of Hunan Zhonglv was transferred to Boshi Capital with the remaining 51% equity interest of Hunan Zhonglv held by the Target Group pledged to Boshi Capital to secure the borrowing. In addition, land use rights of a parcel of land with site area of 26,135.55 sq.m. owned by Hunan Zhonglv, Block 1, Block 2 and Block 3 of Qianlong Premier Mansion were pledged to Daye Trust to secure the borrowing. The Boshi Capital Financing Arrangement was also guaranteed by Fusheng Group and Hunan Shengran and

personally guaranteed by Mr. Pan and his wife, Ms. Chen Weihong. In August 2016, the Boshi Capital Financing Arrangement was fully repaid, and the 49.0% equity interest in Hunan Zhonglv was transferred back to the Target Group in September 2016.

According to the PRC Legal Advisers, all subsidiaries of the Target Group involved in outstanding secured other financing with repurchase obligation during the Track Record Period do not contravene the relevant PRC laws and regulations and as at the Latest Practicable Date, the agreements in relation to the secured other financing with repurchase obligation of the Target Group which are still outstanding are legally enforceable and binding on the respective counterparties.

As of 31 December 2014, 2015 and 2016 and 30 April 2017, the total amount of other financing with repurchase obligation outstanding accounted for approximately 46.3%, 54.1%, 32.3% and 32.3% of the Target Group's total borrowings, respectively.

The Target Group uses other financing with repurchase obligation as a supplement to bank loans to finance its property development projects. Compared with bank borrowings, other financing with repurchase obligation usually offers greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of the Target Group's project developments. Terms and security structures of bank facilities are subject to rigid regulatory and internal compliance requirements of each bank. Other financing with repurchase obligation, on the other hand, is generally provided by trust companies and is relatively more negotiable and is available in varying and relatively more flexible structures, which can be more readily adjusted to suit the individual needs of each project company.

The terms and covenants of the other financing with repurchase obligation vary but generally speaking, involve (i) transfer of a minority interest in the relevant project company to the financial institution providing the other financing with a repurchase obligation of such transferred minority interest on the part of the holding company (or other company designated by it) upon the repayment of such financing; (ii) pledge of the remaining interest in the relevant project company and/or other assets to the financial institution; and (iii) personal guarantee by Mr. Pan.

Please refer to notes i to iv on pages III-36 and III-37 in the paragraph headed ''Notes to historical financial information — 22. Borrowings — Notes'' in the ''Accountants' report on the Target Group'' in Appendix III to this circular for the accounting basis of attributing 100% effective equity interest in the borrowing project companies (with respect to which the Target Group transferred equity interests to financial institutions providing such other financing with repurchase obligation) to the Target Group.

10.9 Key terms of other financing with repurchase obligation during the Track Record Period

10.9.1 Transfer of equity interest and repurchase obligation

The other financing with repurchase obligation of the Target Group obtained during the Track Record Period generally involves a transfer of a minority equity interest (such as 49%), and a pledge of the remaining equity interest held by the Target Group, in the relevant project company to the financial institution. The Target Group has the right and/or obligation to repurchase the minority equity interest that has been previously transferred and the financial institutions providing the other financing have the obligation to transfer such equity interest back to the Target Group.

These secured other financing with repurchase obligation also generally involve other security and/or guarantees:

- corporate and/or shareholders' guarantees; and/or
- pledge of land use rights of the relevant property project; and/or
- pledge of fixed assets of the relevant property project.

The Target Group generally applies the fund obtained from each secured other financing with repurchase obligation to the project undertaken by the relevant borrowing project company unless the relevant financial institution providing the finance otherwise agrees. At maturity, and upon satisfaction of the terms for the repayment of the secured other financing with repurchase obligation, the relevant corporate and/or shareholders' guarantees and project liens are released and, as the case may be, the pledge of the equity interest in the relevant project company is released and/or the minority interest in the relevant project company is repurchased from the financial institution providing the finance.

10.9.2 Board representation

Through equity participation in the project companies, the financial institutions providing other financing with repurchase obligation during the Track Record Period are generally entitled to appoint a certain number of directors to the boards of the Target Group's project companies. The board of directors appointed by the financial institutions may have right to veto certain board decisions such as amendments to articles of association, provisions of guarantees to external parties, acquisition of equity interests in other companies, incurrence of indebtedness from external financing, etc. Out of all the outstanding other financing with repurchase obligation as at the Latest Practicable Date, the Target Group retains a majority of the board seats in all the relevant project companies. As of the Latest Practicable Date, the Target Group has not experienced any disagreement with the financial institutions providing other financing with repurchase obligation and there has been no dissenting vote cast by any of the board representatives appointed by such financial institutions. Based on ''Notes to historical financial information — 35. Interests in subsidiaries'' in the ''Accountants' report on the Target Group'' in Appendix III to this circular, except for Changsha Fusheng which was disposed during the year ended 31 December 2014, the Target Group holds 100% effective

equity interest of all the Target Group's project companies. The Target Group believes the veto right of the relevant financial institutions will not affect its control over the borrowing companies.

10.9.3 ***Voting rights***

As registered holders of the relevant minority equity interests in the Target Group's subsidiaries, the relevant financial institutions have the right to (i) attend shareholders' meetings of the relevant subsidiary; and (ii) cast vote at the shareholders' meetings, as allowed under the company law of the PRC.

10.9.4 ***Security***

The Target Group provided guarantees, share pledges and fixed assets pledges to some financial institutions as security for the performance of the relevant project companies under the financing arrangements.

10.9.5 ***Fixed income return***

As confirmed by the Target Group, under the terms of the relevant agreements the Target Group has entered into during the Track Record Period, the financial institutions providing other financing with repurchase obligation do not in any circumstances enjoy any investment return other than that of the pre-determined fixed income return. The Target Group remains fully accountable for the profits and losses of its project companies. The financial institutions providing such other financing would not assume any risks or enjoy any benefits other than the fixed income return that was pre-determined through arm's length negotiation. Directors of the Target Group have confirmed that the rates of fixed income return provided to the financial institutions providing other financing with repurchase obligation are within the range of market rates.

10.9.6 ***Management of the project companies***

During the term of the other financing with repurchase obligation during the Track Record Period, the Target Group retains the rights in respect of the day-to-day operation and management of its project companies and their businesses. During the Track Record Period, none of the financial institutions providing other financing actively participated or intervened in the day-to-day operations and management of any of the Target Group's project companies.

11. RELATED PARTIES BALANCES AND TRANSACTIONS

The following table sets forth the breakdown of the Target Group's amounts due from/(to) related parties as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related companies				
Trade nature				
— Fujian Liujian Group	29,515	18,570	12,871	12,871
Non-trade nature				
— Fujian Fusheng Group	218,111	—	—	—
— Prospering Assets Ltd.	873	—	—	—
— Fujian Men Cheung	820	—	—	—
	219,804	—	—	—
	249,319	18,570	12,871	12,871

11.1 Amounts due to related parties

Trade-related amounts due to Fujian Liujian Group represented trade payables and accrued construction cost for construction works provided by Fujian Liujian Group to the Target Group. The trade-related amounts due to Fujian Liujian Group decreased from approximately RMB29.5 million as at 31 December 2014 to approximately RMB18.6 million as at 31 December 2015 mainly due to the settlement of accrued construction cost due to Fujian Liujian Group who was responsible for the construction works for Qianlong Premier Mansion and Phase I of Qianlong Royal Family. The trade-related amounts due to Fujian Liujian Group decreased from approximately RMB18.6 million as at 31 December 2015 to approximately RMB12.9 million as at 31 December 2016 mainly due to the further settlement of accrued construction cost due to Fujian Liujian Group for the construction works for Qianlong Premier Mansion. The trade-related amounts due to Fujian Liujian Group remained stable at approximately RMB12.9 million as at 31 December 2016 and 30 April 2017.

Non-trade related amounts due to related parties represented advances from the Target Group's related parties to the Target Group for its working capital and financing of projects. All of the non-trade related amounts due to related parties were unsecured, interest-free and repayable on demand, and have been settled in full before 31 December 2015.

More details of the Target Group's related parties transactions including connected transactions which will be continued after the Completion, are set out in the section headed "Continuing connected transactions" in this circular and the paragraph headed "Notes to

historical financial information — 33. Related party balances and transactions'' in the ''Accountants' report on the Target Group'' in Appendix III to this circular. The proposed Directors confirm that these related party transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Party, which are considered fair, reasonable and in the interest of the Target Group's shareholders as a whole and would not distort the Target Group's track record results of operations or make its historical results not reflective of its future performance.

12. KEY FINANCIAL RATIOS ANALYSIS

The following table sets forth the key financial ratios of the Target Group as at dates/for the periods indicated:

	As at/For the year ended 31 December			As at/For the four months ended 30 April
	2014	**2015**	**2016**	**2017**
Current ratio[1]	2.1 times	1.5 times	3.2 times	1.9 times
Quick ratio[2]	0.1 times	0.2 times	0.4 times	0.3 times
Gearing ratio[3]	1,187.9%	693.3%	487.8%	420.0%
Debt to equity ratio[4]	1,151.9%	607.3%	405.1%	322.9%
Interest coverage[5]	124.6 times	542.5 times	6.4 times	N/A
Return on assets[6]	3.4%	4.6%	2.5%	5.3%
Return on equity[7]	58.5%	49.5%	21.2%	42.0%
Net profit margin[8]	7.6%	13.0%	8.7%	37.4%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period.

2. Quick ratio is calculated based on the current assets less the inventory of properties divided by current liabilities.

3. Gearing ratio is calculated based on the interest-bearing debt divided by the total equity as at the respective period end and multiplied by 100%.

4. Debt to equity ratio is calculated based on the net debt (all interest-bearing debt net of cash and cash equivalents) divided by the total equity as at the respective period end and multiplied by 100%.

5. Interest coverage is calculated based on the earnings before interest and tax for the year/period, which is annualised if applicable, divided by the interest for the respective period.

6. Return on assets is calculated based on the profit and total comprehensive income for the year/period, which is annualised if applicable, divided by the total assets as at the respective period end and multiplied by 100.0%.

7. Return on equity is calculated based on the profit and total comprehensive income for the year/period, which is annualised if applicable, divided by the total equity as at the respective period end and multiplied by 100.0%.

8. Net profit margin is calculated based on the profit and total comprehensive income divided by the revenue for the respective period and multiplied by 100.0%.

12.1 Current ratio

The Target Group's current ratio decreased from approximately 2.1 times as at 31 December 2014 to approximately 1.5 times as at 31 December 2015 mainly attributable to (i) the increase in borrowings due within one year; and (ii) the increase in amount due to immediate holding company. The Target Group's current ratio increased to approximately 3.2 times as at 31 December 2016 compared with approximately 1.5 times as at 31 December 2015, primarily because of: (i) the decrease in borrowings due within one year because of the settlement of the borrowing; and (ii) the increase in inventory of properties, reasons of which were detailed in the paragraph headed "10. Analysis of various items from the consolidated statements of financial position — 10.2 Inventory of properties" in this section. The Target Group's current ratio decreased to approximately 1.9 times as at 30 April 2017 compared with 3.2 times as at 31 December 2016, primarily because of: (i) the increase in borrowings due within one year; and (ii) the increase in deposits received for sale of properties, reasons of which were detailed in the paragraph headed "10. Analysis of various items from the consolidated statements of financial position — 10.6 Deposits received for sale of properties" in this section. The Target Group has been striving to maintain adequate liquidity and working capital position to cope with operation needs for its property development, and the current ratio of the Target Group has been maintained at a healthy level during the Track Record Period.

12.2 Quick ratio

The Target Group's quick ratio increased from approximately 0.1 times as at 31 December 2014 to approximately 0.2 times as at 31 December 2015 mainly attributable to (i) the increase in bank balances and cash; and (ii) the increase in financial asset at fair value through profit or loss. The Target Group's quick ratio increased from approximately 0.2 times as at 31 December 2015 to approximately 0.4 times as at 31 December 2016 which was primarily attributable to the decrease in borrowings due within one year. The Target Group's quick ratio decreased from approximately 0.4 times as at 31 December 2016 to approximately 0.3 times as at 30 April 2017 which was principally attributable to (i) the increase in borrowings due within one year; and (ii) the increase in deposits received for sale of properties, reasons of which were detailed in the paragraph headed "10. Analysis of various items from the consolidated statements of financial position — 10.6 Deposits received for sale of properties" in this section.

12.3 Gearing ratio

Gearing ratio decreased from approximately 1,187.9% as at 31 December 2014 to approximately 693.3% as at 31 December 2015 mainly due to (i) the decrease in borrowing of approximately RMB42.8 million for financing the construction and development of property projects; and (ii) the increase in total equity of approximately RMB99.6 million mainly due to the profitable operations. Gearing ratio further decreased to approximately 487.8% as at 31

December 2016 primarily because of (i) the decrease in the balance of borrowings by approximately 10.7% or RMB183.8 million from approximately RMB1,718.9 million as at 31 December 2015 to approximately RMB1,535.1 million as at 31 December 2016; and (ii) the increase in total equity of approximately RMB66.8 million due to the Target Group's business profitability. Gearing ratio further decreased to approximately 420.0% as at 30 April 2017 primarily because of the increase in total equity of approximately RMB51.2 million due to the Target Group's business profitability.

12.4 Debt to equity ratio

In line with the gearing ratio, the debt to equity ratio decreased from approximately 1,151.9% as at 31 December 2014 to approximately 607.3% as at 31 December 2015 which is mainly due to (i) the decrease in borrowing of approximately RMB42.8 million; (ii) the increase in bank balances and cash of approximately RMB159.9 million; and (iii) the increase in total equity of approximately RMB99.6 million mainly due to the profitable operations. The debt to equity ratio further decreased to approximately 405.1% as at 31 December 2016, primarily because of (i) the decrease in the balance of borrowings by approximately 10.7% or RMB183.8 million from approximately RMB1,718.9 million as at 31 December 2015 to approximately RMB1,535.1 million as at 31 December 2016; (ii) the increase in bank balances and cash of approximately RMB47.0 million; and (iii) the increase in total equity of approximately RMB66.8 million due to profitable operations. The debt to equity ratio further decreased to approximately 322.9% as at 30 April 2017, primarily because of (i) the increase in bank balances and cash of approximately RMB95.1 million; and (ii) the increase in total equity of approximately RMB51.2 million due to the Target Group's business profitability.

12.5 Interest coverage

Interest coverage increased from approximately 124.6 times for the year ended 31 December 2014 to approximately 542.5 times for the year ended 31 December 2015 mainly due to (i) the significantly higher profit before tax for the year ended 31 December 2015; and (ii) the significantly lower finance cost for the year ended 31 December 2015. Further details of the Target Group's finance costs are set out in the paragraph headed "6. Principal components of results of operations — 6.8 Finance costs" in this section. Interest coverage decreased significantly from approximately 542.5 times for the year ended 31 December 2015 to approximately 6.4 times for the year ended 31 December 2016, mainly for the reason that less interest expenses was capitalised in properties under development for sale in this period in comparison with the year ended 31 December 2015 since the construction for Qianlong Premier Mansion has been completed in December 2015 and the interest expenses for such project were not eligible to be capitalised during the year ended 31 December 2016. Since all of the Target Group's interest expenses were capitalised in properties under development for sale during the four months ended 30 April 2017, the Target Group do not have any finance costs for the four months ended 30 April 2017.

12.6 Return on assets

Return on asset increased from approximately 3.4% as at 31 December 2014 to approximately 4.6% as at 31 December 2015 which was mainly attributable to the combined effects of (i) increase in profit and total comprehensive income for the year ended 31

December 2015 mainly due to growth in gross profit and gross profit margin; and (ii) the increase in total assets due to the combined effects of (a) the increase in bank balances and cash and financial assets classified as fair value through profit or loss; and (b) the decrease in inventory of properties. Return on asset decreased from approximately 4.6% as at 31 December 2015 to approximately 2.5% as at 31 December 2016 mainly because of (i) the decrease in profit and total comprehensive income for the year ended 31 December 2016 which was mainly due to the decrease in revenue and gross profit and increase in finance cost as compared to the year ended 31 December 2015; and (ii) the increase of total assets as at 31 December 2016 as compared to 31 December 2015 which was due to the combined effects of (a) the increase in bank balances and cash and inventory of properties; and (b) the decrease in financial assets classified as fair value through profit or loss. Return on asset increased from approximately 2.5% as at 31 December 2016 to approximately 5.3% as at 30 April 2017 mainly because of the combined effects of (i) the increase in the annualised profit and total comprehensive income for the four months ended 30 April 2017 which was mainly due to the increase in gross profit and gross profit margin and the decrease in finance cost as compared to the year ended 31 December 2016; and (ii) the increase of total assets as at 30 April 2017 as compared to 31 December 2016 which was mainly due to the increase in bank balances and cash and inventory of properties. Further details regarding the Target Group's various assets items are set out in the paragraph headed "10. Analysis of various items from the consolidated statements of financial position" in this section.

12.7 Return on equity

Return on equity decreased from approximately 58.5% as at 31 December 2014 to approximately 49.5% as at 31 December 2015 which was mainly attributable to the combined effects of (i) the increase in profit and total comprehensive income for the year ended 31 December 2015 mainly due to growth in gross profit and gross profit margin; and (ii) the increase in total equity due to the profitable operations. In line with the variation of return on assets, return on equity decreased from approximately 49.5% as at 31 December 2015 to approximately 21.2% as at 31 December 2016 primarily attributable to the combined effects of (i) the lower profit and total comprehensive income generated for the year ended 31 December 2016 comparing to the previous year mainly due to the decrease in revenue and gross profit and increase in finance cost; and (ii) the increase of total equity from approximately RMB247.9 million as at 31 December 2015 to approximately RMB314.7 million as at 31 December 2016 mainly resulted from the Target Group's business profitability. In line with the variation of return on assets, return on equity increased from approximately 21.2% as at 31 December 2016 to approximately 42.0% as at 30 April 2017 primarily attributable to the combined effects of (i) the increase in the annualised profit and total comprehensive income for the four months ended 30 April 2017 which was mainly due to the increase in gross profit and gross profit margin and the decrease in finance cost as compared to the year ended 31 December 2016; and (ii) the increase of total equity from approximately RMB314.7 million as at 31 December 2016 to approximately RMB365.9 million as at 30 April 2017 mainly resulted from the Target Group's business profitability.

12.8 Net profit margin

The net profit margin was approximately 13.0% for the year ended 31 December 2015, a significant improvement compared to the net profit margin of approximately 7.6% for the year ended 31 December 2014 mainly due to (i) the increase in gross profit margin for the year ended 31 December 2015; and (ii) the decrease in revenue for the year ended 31 December 2015. The net profit margin decreased from approximately 13.0% for the year ended 31 December 2015 to approximately 8.7% for the year ended 31 December 2016, mainly because of (i) the decrease of other income and gains due to lower rental income from lease of completed properties held for sales generated for the year ended 31 December 2016; and (ii) significant increase of finance cost for the year ended 31 December 2016 due to less interest expenses were capitalised in this year compared with the year ended 31 December 2015. The net profit margin increased significantly from approximately 8.7% for the year ended 31 December 2016 to approximately 37.4% for the four months ended 30 April 2017. Such increase was mainly due to (i) the increase in gross profit margin for the year ended 30 April 2017; and (ii) the decrease in revenue for the four months ended 30 April 2017 on an annualised basis as compared to the year ended 31 December 2016. Further details of the Target Group's gross profit margin are set out in the paragraph headed "6. Principal components of results of operations — 6.3 Gross profit and gross profit margin" in this section.

13. COMMITMENTS

13.1 Operating lease commitments

13.1.1 The Target Group as lessee

The Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,426	1,330	1,381	2,021
In the second to fifth year inclusive	1,204	4	6,867	7,104
More than five years	—	—	3,356	3,197
	2,630	1,334	11,604	12,322

Operating lease payments represent rentals payable by the Target Group for certain offices premises. Leases are negotiated for an average term of 2 years to 7 years with fixed rentals.

13.1.2 ***The Target Group as lessor***

The Target Group had contracted with tenants for the following future minimum lease payments as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	663	4,106	3,809	3,320
In the second to fifth year inclusive	6,796	13,451	10,130	8,774
Over five years	—	3,456	4,197	3,637
	7,459	21,013	18,136	15,731

13.2 Other commitments

The Target Group also had commitments for property development contracted for but not provided in the financial information of approximately RMB302.5 million, RMB189.7 million, RMB532.7 million and RMB578.3 million as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively. The period to period fluctuations of the Target Group's balances of the commitment for property development contracted for but not provided in the financial information were primarily affected by (i) the total contract sum of the construction contracts under which the construction had not commenced as at each of the reporting dates; and (ii) the remaining contract amounts of construction contracts under which construction had commenced but not completed as at each of the reporting dates. The Target Group will be able to settle the commitments by using funds from a combination of sources including pre-sale proceeds, internal cash, bank loans and other loans.

14. CONTINGENT LIABILITIES

The contingent liabilities of the Target Group consisted of (i) the guarantee provided to banks in respect of the mortgage facilities granted to purchasers of the Target Group's properties; and (ii) the guarantee provided to banks in respect of bank loan facilities granted to third parties. The following table sets forth a summary of the Target Group's contingent liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given in favour of banks for:				
— mortgage facilities granted to purchasers of the Target Group's properties	459,385	501,749	374,412	368,746
— bank loan facilities granted to third parties	136,000	—	—	—
	595,385	501,749	374,412	368,746

In line with market practice, the Target Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Target Group is responsible for the repayment of the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to the banks. The Target Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and released upon the banks having obtained the building ownership certificate from the customers as a pledge for the mortgage loans or upon the full settlement of mortgage loans by the customer. In the opinion of the proposed Directors, no provision for the guarantee contracts is made as the default risk is low and the fair value of the financial guarantee contracts is insignificant. There were 16 incidents during the Track Record Period that the mortgagee bank experienced defaults by the Target Group's customer on the payment of mortgage. In general, the Target Group would settle the outstanding mortgage and fines with the relevant bank and then try to recover the amount paid to the bank by way of negotiation and/or arbitration. In cases where the Target Group fails to make successful recovery, it may take possession of the relevant property and return the down payment to the customer after set-off. As at 30 April 2017, the amounts paid by the Target Group but not yet recovered were approximately RMB0.7 million and were not material to the Target Group. The period to period fluctuations of the Target Group's guarantee provided to banks in respect of the mortgage facilities granted to purchasers of the Target Group's properties were primarily affected by the pre-sale and sales amounts of the Target Group's properties during the relevant year and the development stage of the properties as at each reporting date.

Guarantees given in favour of banks for bank loan facilities granted to third parties represent certain loan facilities of the suppliers and contractors of the Target Group or its related companies which were secured by the bank deposits of those suppliers and contractors, assets of the Target Group or jointly guaranteed by the Target Group, Mr. Pan and his close family members. The proposed Directors consider that the fair value of the financial guarantee is insignificant by using the valuation model where the main assumptions are the major financial ratios of the borrowers and the probability of default with reference to several publication issued by the market well-known rating company. The guarantees by the Target Group have been either released upon maturity of the bank loan facilities or early released with the banks before 30 June 2015.

15. INDEBTEDNESS

As at the close of business on 31 August 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Target Group prior to the printing of this circular, the Target Group's borrowings of (i) RMB40,000,000 are unsecured; (ii) RMB965,000,000 are secured by 100% equity interest of Hunan Longxiang and Hunan Shengran, properties under development for sale of RMB875,780,000 and completed properties for sale of approximately RMB25,044,000; and (iii) RMB420,000,000 are secured by 51% equity interest of Hunan Fullsun, guarantee deposit of RMB5,000,000, properties under development for sale of approximately RMB189,422,000 and completed properties for sale of approximately RMB35,138,000. The guarantees for secured bank borrowings and general facilities by the related parties will be released upon Completion. The borrowings are repayable from 28 April 2018 to 21 December 2018 and bear interests at a range from 8% to 11% per annum.

As at the close of business on 31 August 2017, in addition to the above, bank deposits of approximately RMB23,951,000 were pledged to banks to secure the mortgage loans applied by the customers and approximately RMB24,667,000 as security deposit for workers of property projects.

As at the close of business on 31 August 2017, the Restructured Group had total contingent liabilities of approximately RMB357,620,000 for the Target Group's guarantees given in favour of banks for mortgage facilities granted to purchasers of the Target Group's properties.

In respect of the outstanding borrowings of the Target Group as at 31 August 2017, material covenants which mainly affect the Target Group's financing ability included: (i) consent of the lender is required if the borrower within the Target Group wishes to incur any external indebtedness for financing purposes or other new financing transactions; (ii) consent of the lender is required if the borrower conducts money lending activities or provide guarantee to third parties; (iii) if the borrower within the Target Group breaches contract(s) entered with other financial institutions, the lender has the right to require the borrower to early repay the loan; and (iv) if the operation of the borrower experiences deterioration during the contractual period, the lender has the right to require the borrower to early repay the loan.

Save as disclosed above, and apart from the amount due to immediate holding company, the Target Group did not have, at the close of business on 31 August 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credit, debentures, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding. The proposed Directors confirm that (i) there has not been any material change in the indebtedness and contingent liabilities since 31 August 2017 and up to the Latest Practicable Date; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Target Group does not have material covenants relating to the outstanding debts; (iv) the Target Group has complied with all of the finance covenants during the Track Record Period; and (v) the Target Group does not have any concrete material external debt financing plans as at the Latest Practicable Date.

16. WORKING CAPITAL

During the Track Record Period, the Target Group had met its working capital requirements principally through a combination of internal cash resources, cash generated from operating activities, shareholders' contributions and bank and other borrowings. The Target Group closely monitors and manages, among others, (i) the level of inventory of properties; (ii) the deposits received for sale of properties; and (iii) the ability to obtain external financing for the property development projects. The Target Group reviews its future cash flow requirements, assesses its ability to meet the loan repayment schedules and adjusts its financing plans to maintain sufficient working capital to support business operations and expansions plans.

During the Track Record Period, the Target Group had negative operating cash flows of approximately RMB459.6 million for the year ended 31 December 2014. Such a situation was mainly due to the costs associated with the commencement of two projects, namely Qianlong International and Fullsun International Financial Centre, which had generated significant net cash outflows mainly due to the payment of land costs during the year ended 31 December 2014 for land acquisitions. The proposed Directors believe that the Target Group's negative operating cash flows during the year ended 31 December 2014 was mainly due to the capital intensive nature of the Target Group's business. For the year ended 31 December 2015, the Target Group had positive operating cash low of approximately RMB429.0 million. For the year ended 31 December 2016, the Target Group had positive operating cash flow of approximately RMB425.6 million. For the four months ended 30 April 2017, the Target Group had positive operating cash flow of approximately RMB133.0 million.

The Target Group maintains strong and long-term relationships with commercial banks and financial institutions in the PRC. The proposed Directors confirm that the Target Group does not foresee any immediate repayment requirement or withdrawal or in facilities on short notice which would materially affect the liquidity of the Target Group. In addition, having considered that (i) the existing pledged assets of the Target Group are for loans already obtained for its existing projects; (ii) new land purchases for new projects shall be financed by the Target Group's internal resources together with the expected net proceeds from the Share Placing and the CB Placing (if any); and (iii) after acquisition of the relevant new land, the Target Group is expected to obtain financings for the construction and development phase by

pledging the relevant land to the lender(s), the proposed Directors are of the view that the Restructured Group is not expected to experience significant difficulty in obtaining new financings for its future projects.

The proposed Directors confirm that, taking into consideration the financial resources presently available, including borrowings, cash inflows from operations and net proceeds from the Share Placing and CB Placing (which may or may not proceed pursuant to its relevant terms), the Restructured Group, in the absence of unforeseen circumstances, has sufficient working capital for present requirements for at least the next 12 months commencing on the date of this circular. The Sponsor concurs with the proposed Directors' view.

17. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

17.1 Capital management

The capital structure of the Target Group consists of debt, which includes borrowings and amounts due to immediate holding company and related companies as disclosed in this section and the "Accountants' report on the Target Group" in Appendix III to this circular, and equity attributable to owners of the Target Group, comprising capital and reserves.

The Target Group manages its capital structure to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The management of the Target Group reviews the capital structure periodically. As a part of this review, the management reviews the planned construction projects proposed by engineering centre and prepares the annual budget taking into account of the provision of funding. The management of the Target Group then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The management of the Target Group also balance its overall capital structure through issue of new debt or the redemption of existing debt.

17.2 Financial risk management

The Target Group is exposed to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk in the normal course of business. Further details on the Target Group's financial risk management policies and practices are set out in the paragraph headed "Notes to historical financial information — 27. Financial instruments — (b) Financial risk management objectives and policies" in the "Accountants' report on the Target Group" in Appendix III to this circular.

In respect of its liquidity management, the Target Group adopts steady and prudent measures. By following the principle of matching construction with sales and spending with income, the Target Group strictly controls the critical functions such as construction, pre-sale, loan repayments and property delivery. Internal control measures adopted by the Target Group to manage its liquidity position include the followings:

(i) All subsidiaries within the Target Group are required to periodically prepare and report a capital plan. The Target Group closely monitors, controls and verifies the capital plan from perspectives such as sales plan, spending of costs and development progress, operating costs, debt financing and repayment plans.

(ii) All subsidiaries are also required to strictly follow the capital plan as verified by the Target Group. By controlling the inflows and outflows of capital, this measure will ensure each month's working capital is sufficient to handle loan repayments which are becoming due.

Fund and liquidity management are centrally overseen by the senior officers in charge at the headquarter level. It has implemented a set of rules and guidelines on fund and liquidity management to enhance the effectiveness and the efficiency of its fund and liquidity management, thereby ensuring the financial security and reducing the cost of capital.

It managed the surplus cash occasionally by investing in those financial products and other bank deposit products with relatively low risks issued by the licensed bank and satisfy the requirements set out by the PBOC.

According to its investment policy, funds used to invest in financial products must all be funds self-owned by the group and temporarily idle funds that do not affect the group's operational and capital requirement. Acceptable financial products primarily include products with guaranteed principal and other low risk products.

18. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the operating lease commitments, other commitments and contingent liabilities as disclosed in the paragraphs headed "13. Commitments" and "14. Contingent liabilities" in this section and the "Accountants' report on the Target Group" in Appendix III to this circular, the Target Group had not entered into any off-balance sheet transactions or arrangements as at Latest Practicable Date.

19. DIVIDEND

No dividends have been paid or declared by the Target Group during the Track Record Period.

Subject to certain covenants of the Target Group's borrowings in relation to dividend payment (further details of which is set out in the paragraph headed "15. Indebtedness" in this section), dividends of the Target Group may be paid out by way of cash or by other means that the proposed Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the proposed Directors and will be, subject to the

aforementioned covenants, at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Target Group currently does not have any specific dividend policy. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including the Restructured Group's results of operations, financial condition, the payment by the Restructured Group's subsidiaries of cash dividends to the Restructured Group, and other factors the Board may deem relevant. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

20. DISTRIBUTABLE RESERVES

As at 30 April 2017, the amount of retained profits of the Target Group was approximately RMB264.2 million. The distributable reserve of the Target Group will be increased by any net profit earned, including the distribution from subsidiaries, or decreased by any distributions made, in subsequent periods.

21. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees and printing and other expenses relating to the Transactions and any commissions and certain other expenses relating to the Placing are estimated to be approximately HK$60.2 million in aggregate and are payable by the Restructured Group.

The total expenses of approximately HK$60.2 million are separated into two parts: (i) approximately HK$6.0 million shall be booked in equity account; and (ii) approximately HK$54.2 million shall be booked in profit and loss account (of which approximately HK$29.3 million has been booked in the accounts of the Restructured Group during the Track Record Period, approximately HK$1.0 million shall be net off to the proceeds from the CB Placing and the remaining amount of approximately HK$23.9 million will be booked upon the Completion).

These expenses are not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statements of cash flows.

22. PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ, a firm of independent and qualified professional valuers, has valued the property interests of the Target Group as at 31 July 2017 and is of the opinion that the aggregate value of property interests of the Target Group as at such date was approximately RMB3,910,510,000. The full text of the letter, summary of valuation and valuation certificates with regard to the property interests are set out in the "Property valuation of the Target Group" in Appendix VI to this circular.

As required under Rule 5.07 of the Listing Rules, the statement below sets forth the reconciliation of the aggregate value of certain properties and land use rights as reflected in the consolidated financial statements as at 30 April 2017 as set out in the ''Accountants' report on the Target Group'' in Appendix III to this circular with the valuation of these property interests as at 31 July 2017 as set out in the ''Property valuation of the Target Group'' in Appendix VI to this circular.

(RMB millions)

Net book value of properties as at 30 April 2017	
— Completed properties for sale	396.6
— Properties under development for sale	2,029.0
	2,425.6
Movements for the period from 30 April 2017 to 31 July 2017	160.5
Net book value as at 31 July 2017	2,586.1
Net valuation surplus	1,324.4
Market value of properties as at 31 July 2017 as set out in the property valuation report in Appendix VI to this circular	3,910.5

23. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS OF THE RESTRUCTURED GROUP

The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per share of the Restructured Group as at 31 March 2017 are set out below as extracted from the ''Unaudited pro forma financial information of the Restructured Group'' in Appendix V to this circular:

	Unaudited pro forma consolidated net assets of the Group *HK$'000 Note 1*	**Less: Intangible assets included in disposal groups classified as held for sale** *HK$'000 Note 2*	**Unaudited pro forma consolidated net tangible assets of the Group** *HK$'000*	**Unaudited pro forma consolidated net tangible assets of the Group per share** *HK$ Note 3*	**Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group** *HK$'000 Note 4*	**Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share** *HK$ Note 5*
Consolidated net tangible assets attributable to owners of the Company	115,665	(877)	114,788	0.09	1,374,349	0.13

Notes:

(1) The unaudited pro forma consolidated net assets of the Group as at 31 March 2017 is based on the amount of unaudited consolidated net assets attributable to the owners of the Company as at 31 March 2017, which is extracted from the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2017.

(2) The adjustment reflects the exclusion of the intangible assets of the Group as at 31 March 2017.

(3) The number of shares used for the calculation of the unaudited pro forma consolidated net tangible assets of the Group per share is 1,321,682,525, being the number of shares in issue as at 31 March 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group as at 31 March 2017 is based on the amount of the unaudited pro forma consolidated net assets attributable to the owners of the Company as at 31 March 2017, which is extracted from the unaudited pro forma consolidated statement of financial position of the Restructured Group of approximately HK$1,374,349,000.

(5) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share is 10,464,022,525 after completion of the Proposed Restructuring as at 31 March 2017 as described as follows:

	Number of Ordinary shares issued	**Nominal value** *HK$'000*
At 31 March 2017	1,321,682,525	13,217
Issue of shares upon Share Placing	2,727,280,000	27,273
	4,048,962,525	40,490
Issuance and allotment of Consideration Shares	6,415,060,000	64,151
The pro forma issued share capital of the Restructured Group	10,464,022,525	104,641

(6) Apart from the above, no adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Restructured Group entered into subsequent to 31 March 2017 where applicable.

24. DISCLOSURE REQUIRED UNDER THE LISTING RULES

The proposed Directors confirm that, as at the Latest Practicable Date, there were no circumstances which, would have given rise to a requirement to comply or disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

25. NO MATERIAL ADVERSE CHANGE

The proposed Directors confirm that, save as disclosed in the section headed "Summary — 9. Recent developments since 30 April 2017 — 9.1 Recent developments of the Target Group" in this circular, there has been no material adverse change in the Target Group's business operations, financial position or prospects since 30 April 2017 (being the date to which the last audited financial statements of the Target Group were prepared) and up to the date of this circular, and there is no event since 30 April 2017 and up to the date of this circular which would materially affect the information shown in the "Accountants' report on the Target Group" in Appendix III to this circular. So far as the proposed Directors are aware, there has been no material change in the general condition of the real estate industry in which the Target Group operates which has materially and adversely affected the Target Group's results of operations or financial condition since 30 April 2017 and up to the date of this circular.

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following (i) the issue of the Consideration Shares; (ii) the issue of the Placing Shares; and (iii) the issue of the Conversion Shares will be as follows:

(i) As at the Latest Practicable Date

Authorised share capital

Shares		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000.00

Issued and paid-up share capital

1,321,682,525	Shares of HK$0.01 each	13,216,825.25

(ii) Immediately following the issue of (i) the Consideration Shares; (ii) the Placing Shares; and (iii) the Conversion Shares

Authorised share capital

Shares		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000.00

Issued and paid-up share capital

1,321,682,525	Shares of HK$0.01 each	13,216,825.25
6,415,060,000	Consideration Shares to be allotted and issued to the Vendor pursuant to the SP Agreement	64,150,600.00
2,727,280,000	Placing Shares to be allotted and issued to the Share Placees pursuant to the Placing Agreement	27,272,800.00
909,090,800	Conversion Shares to be allotted and issued to the CB Placees upon full conversion of the Convertible Bonds (assuming the principal amount of the Convertible Bonds is HK$200 million and in the denomination of HK$500,000 each)	9,090,908.00
11,373,113,325		113,731,133.25

Since 31 March 2017, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company or bought-back by the Company. The Company did not buy back any Share during the 12 months period immediately preceding the Latest Practicable Date. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

RANKING

When fully paid and allotted, the Consideration Shares, the Placing Shares and the Conversion Shares will rank *pari passu* in all respects among themselves, including all rights to dividend and distributions which may be declared, made or paid by the Company, voting and interest in capital, with the Shares in issue as at the respective date of allotment and issue thereof.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the Company's total issued share capital must at all times be held by the public. The issue of the Consideration Shares, the Placing Shares and the Conversion Shares will not cause the Company not to comply with the minimum public float requirement under the Listing Rules.

UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, the controlling shareholders have undertaken to the Stock Exchange and to the Company that, they shall not, and shall procure that the relevant registered shareholder(s), their respective associate, the companies controlled by any of them and/or any nominees or trustees holding in trust for any of them shall not:

(a) in the period commencing from the date of this circular and ending on the date which is six months after the date of the SP Completion (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other interests therein beneficially held by them;

(b) in the period of six months commencing from the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other interests therein beneficially held by him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, we would cease to be controlling shareholders of the Company; and

(c) during the period commencing on the date of this circular and ending on the date which is 12 months from the date of the SP Completion, they will:

(i) when any of them pledges or charges any securities or interests in any securities of the Company beneficially owned by any of them in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company, the Stock Exchange and the Sponsor of such pledge or charge together with the number of securities of the Company so pledged or charged; and

(ii) when any of them receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company, the Stock Exchange and the Sponsor of such indications.

SHARE OPTION SCHEME

A resolution will be proposed at the SGM for the Shareholders to approve the adoption of the Share Option Scheme. A summary of its principal terms is set out in Appendix IX to this circular.

OUTSTANDING OPTIONS

There were no outstanding options, warrants or other conversion rights over any part of the Company's share capital as at the Latest Practicable Date.

Other than the capital of the Company, there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

ISSUE MANDATE

A resolution will be proposed at the SGM for the Shareholders, or Independent Shareholders, as the case may be, to approve the grant of a specific mandate to issue the Consideration Shares, the Placing Shares and the Conversion Shares.

For further details of the specific mandate to issue the Consideration Shares, the Placing Shares and the Conversion Shares, please refer to the section headed "Letter from the Board" in this circular.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Act and the terms of the Bye-laws, the Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, the Company may, subject to any confirmation or consent required by law, reduce its share capital by shareholders' special resolution.

All or any of the special rights attached to the share of the Company or any class of shares of the Company may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

For more details, please refer to the "Summary of the constitution of the Company and Bermuda Company Law" in Appendix VIII to this circular.

DTZ Cushman & Wakefield Limited, the independent market consultant, was commissioned by the Company to prepare a report on the property market in the PRC for the purpose of incorporation in this circular.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

27 October 2017

The Directors
U-RIGHT International Holdings Limited
Unit 2408, 24/F.
World-wide House
19 Des Voeux Road Central
Hong Kong

INTRODUCTION

DTZ Cushman & Wakefield Limited ("**DTZ**") was engaged by U-RIGHT International Holdings Limited (the "**Company**") to provide an independent market assessment ("**Market Study**") of the real estate and economic markets in China, especially in Changsha. This Market Study is prepared for the purpose of incorporation in the circular and the information will form part of the circular.

DATE OF ASSIGNMENT

The contract engaging DTZ was executed on April 2015 and the fee agreed was HK$300,000. This report contains information, estimates and assumptions that reflect market conditions as of December 2016.

DTZ is one of the world's largest real estate consulting firm, with 208 offices in 52 countries worldwide with over 27,000 employees, providing expert local knowledge.

SCOPE OF SERVICES

Our scope of work for each property comprises the following content:

- **Overview of the PRC Economy**

  Major Indicators of the PRC Economy, Impact of Urbanisation Policies on the Market.

- **Overview of the Real Estate Market in the PRC**

  Major Indicators of the Real Estate Development and Analysis of Real Estate Sales-related Indexes.

- **Overview of Changsha Economy**

  Analysis of Macroeconomic Background and Economic Indicators of Changsha.

- **Overview of the Real Estate Market in Changsha**

  Major Indicators of the Real Estate Market, Policies and Regulations, Land, Labour and Construction Costs.

- **Changsha Property Market Competitive Landscape**

  Analysis and Major Indicators of Residential Properties, Office Properties, Retail Properties.

STATEMENT OF PECUNIARY INTEREST

We confirm that DTZ has no pecuniary or other interest in the market that would conflict with a proper assessment or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. The position will be maintained until the purpose for which this Market Study is being obtained is completed.

INFORMATION UTILISED

Our review is based on information developed from research of the markets, discussions with professionals in the property industry in the respective cities, certain information provided by the Company and DTZ's knowledge of the industry, which is integral to the outcome of our conclusions and estimations. We have also obtained data and information for this Market Study from a wide range of sources. While due care has been undertaken in the application of the information, DTZ has no responsibility to warrant or represent that such information is accurate or correct. We also have no responsibility to update this Market Study for events and circumstances occurring after the date of issuance.

ASSUMPTIONS

This Market Study is based on current as well as the likely future market conditions as perceived by the markets. The estimation of the future demand and supply for the market may not materialise, and unanticipated events and circumstances may occur; therefore, actual results may vary from our estimates and the variations may be material. We do emphasise that the estimation of the future market conditions and outlook should be regarded as an indicative assessment of possibilities rather than absolute certainties.

The major findings and conclusions are based, in part, on the following critical assumptions:

- There will be no political or administrative developments that will significantly impact general confidence in China, specifically in Changsha, to the detriment of business activity, tourist arrivals and domestic travel.

- Support infrastructure such as fresh water, sewage treatment, electricity and gas will be supplied and generated at a consistent and reliable level to maintain end-user satisfaction.

- The existing transportation system to, from and within Changsha will be maintained and improved to meet the accessibility requirements of the cities.

- The economies of the major trading, investor and tourist generating countries to the PRC, specifically Changsha, will not experience significant and sustained recession in the near future.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Regional Director

Note: Andrew K. F. Chan was elected a professional member of The Hong Kong Institute of Surveyors in 1992. Mr. Chan is a Registered Professional Surveyor (General Practice) with over 29 years' experience in various fields of the property industry in the PRC. He has been providing advice relating to property valuation, development consultancy and land administration matters in the PRC and has participated in assignments in relation to property market research.

1. OVERVIEW OF THE PRC ECONOMY

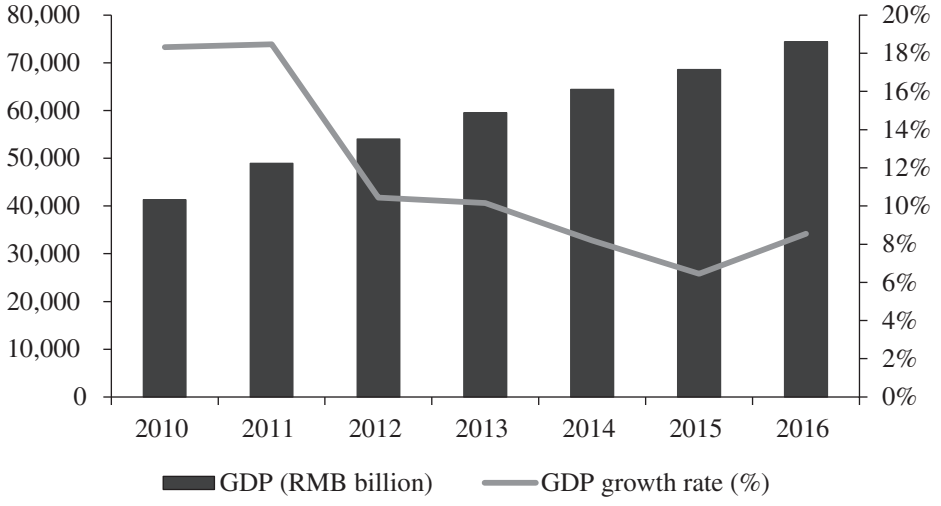
Despite the impact of the volatile global economic environment on the PRC economy, China's gross domestic product (GDP) maintained a high-level growth in the past few years, increased from RMB41,303.0 billion in 2010 to RMB74,412.7 billion in 2016 at a CAGR of approximately 10.3%, which was mainly attributable to the impetus of various macro-economic policy adjustments and control measures. According to the National Bureau of Statistics of China, China overtook Japan to become the world's second largest economy in terms of nominal GDP in the second quarter of 2010.

Major Economic Indicators in the PRC

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
GDP *(RMB billion)*	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,550.6	74,412.7	10.3%
GDP per capita *(RMB)*	30,876.0	36,403.0	40,007.0	43,852.0	47,203.0	49,992.0	53,980.0	9.8%
Per capita disposable income of urban residents *(RMB)*	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	33,616.0	9.9%
Fixed asset investment *(RMB billion)*	25,168.4	31,148.5	37,469.5	44,629.4	51,202.1	56,200.0	60,646.6	15.8%
Population *(million)*	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	0.5%
Urban population *(million)*	669.8	690.8	711.8	731.1	749.2	771.2	793.0	2.9%
Urbanisation rate	49.9%	51.3%	52.6%	53.7%	54.8%	56.1%	57.3%	2.3%

Source: 2016 China Statistical Yearbook, National Bureau of Statistics of China

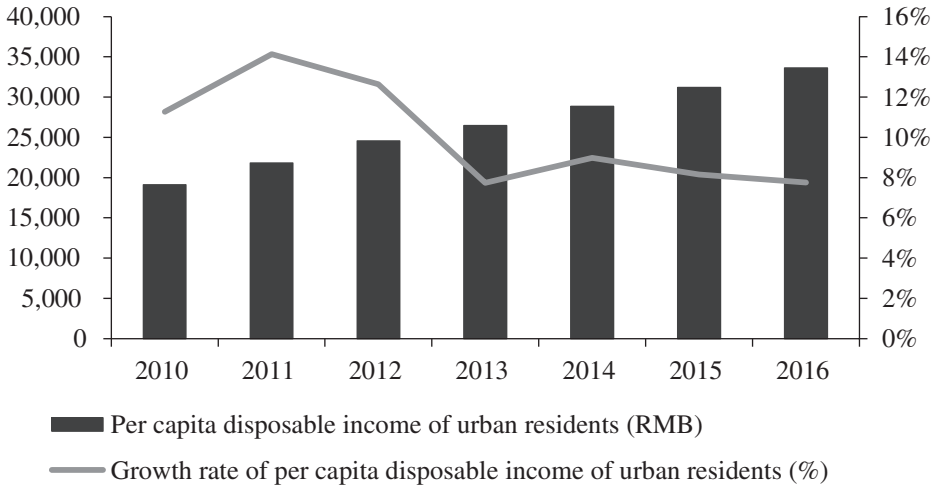
GDP and GDP Growth in the PRC



Source: 2016 China Statistical Yearbook, National Bureau of Statistics of China

Guided and driven by the macro-economic policies of the government, Chinese per capita disposable income of urban residents grew significantly to RMB33,616.0 at the end of 2016 from RMB19,104.4 in 2010. Strong growth of disposable income indicates the increasing willingness to spend and the significant increase in purchasing power of urban residents.

Disposable income of urban residents in the PRC



Source: 2016 China Statistical Yearbook, National Bureau of Statistics of China

With the acceleration of industrialization progress since the reform and opening-up of the PRC, Chinese urbanization has undergone a rapid development process from a low initial level. The urbanization rate increased from 49.9% in 2010 to 57.3% in 2016, representing a CAGR of approximately 2.3%. Expansion of cities has brought population increase in the past ten years, demand for real estate along with population migration.

2. THE PRC'S ECONOMIC OUTLOOK AND GOVERNMENT POLICIES ESTABLISHED FOR ECONOMIC GROWTH AND URBANISATION

The PRC's economic development had boosted the pace of urbanisation. Over the past 10 years, the proportion of urbanisation in the PRC increased by 1% to 1.5% every year reaching 57.3% in 2016. An increase of 1% represents an increase of approximately 14 million people flooding into cities, which will in no doubt bring large housing and consuming demand to the cities in the PRC. According to the "National Plan on New Urbanization (2014–2020)*" (國家新型城鎮化規劃 (2014–2020)), released by the PRC State Council, certain measures will be carried out to increase the level and quality of China's urbanisation in the future, aiming the urbanisation rate to reach 60% by 2020.

Based on the plan, the key targets of future China's urbanisation development are as follows:

- Firstly, the plan focuses on the livelihood of people and will try to convert the rural population into urban residents in an orderly manner. The plan is trying to promote the reform of the household registration system and the equalisation of basic public services, implement a household registration policy with different eligibility requirements for people under different conditions, and progressively grant urban residency to rural migrant workers and their families.

- Secondly, the plan stresses on improving the spatial layout, which requires the coordination of the development of cities in the eastern area and the cultivation of the cluster of central and western cities. Hence, to intensify the integration of transportation and information networks, promote the distribution of key industries and public resources to support the urbanisation development.

- Thirdly, the plan concentrates on sustainable development of urbanisation. Promoting industrialisation to create more job opportunities, integrating the cities' spatial and management structure, and improving public services are the major ways to carry modernisation further forward.

- In fourth, the plan stresses on the integrated development of urban and rural areas. Optimising the integration development and accelerating the agricultural modernisation, can lead to a growth of urbanisation.

3. OVERVIEW OF THE PRC PROPERTY MARKET

The economic growth, urbanisation and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power of consumers in the PRC and the resulting demand for residential properties.

The PRC property market has experienced significant volatility in recent years, especially as a result of the continuing effects of the global economic growth and credit environments. The PRC government has put in place certain policies which are intended to stabilise the real estate prices and control the real estate loan in the PRC. These policies primarily relate to, among others, control over purchasing properties for speculation and adjustment of the minimum capital ratio of fixed asset investment projects according to the economic situations and the necessity of macro-economic control.

Moreover, according to "Report on the Work of the Government" (政府工作報告) delivered by Mr. Li Keqiang, Premier of the State Council at the Fifth Session of the Twelfth National People's Congress in March 2017, the PRC government stated clearly that housing is for people to live in, and local governments should take primary responsibility in this respect. The PRC government would exercise category-based regulation and targeted steps over the real estate market, take targeted policies to cut excess urban real estate inventory, support both local and new residents in buying homes for personal use, increase the proportion of people

affected by rebuilding in rundown urban areas receiving monetary compensation and move faster to establish robust long-term mechanisms for promoting the steady and sound development of the real estate sector.

Major Real Estate Indicators in the PRC

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
Real estate development investment								
Real Estate development investment *(RMB billion)*	4,825.9	6,179.7	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	13.4%
Supply of commodity residential housing								
Total GFA of commodity residential housing completed *(million sq.m.)*	634.4	743.2	790.4	787.4	808.7	737.8	771.9	3.3%
Demand of commodity residential housing								
Total GFA of commodity residential housing sold *(million sq.m.)*	933.8	965.3	984.7	1,157.2	1,051.9	1,124.1	1,375.4	6.7%
Total GFA of commodity residential housing under construction *(million sq.m.)*	3,147.6	3,877.1	4,289.6	4,863.5	5,151.0	5,115.7	5,213.1	8.8%
Price level of commodity housing								
Average selling price of commodity residential housing *(RMB/sq.m.)*	4,725.0	4,993.0	5,430.0	5,850.0	5,933.0	6,473.0	7,202.6	7.3%
Average selling price of houses for business use *(RMB/sq.m.)*	7,747.0	8,488.0	9,021.0	9,777.0	9,817.0	9,566.0	9,786.3	4.0%

Source: 2016 China Statistical Yearbook, National Bureau of Statistics of China

Under the effects of domestic investment, consumption and rapid growth of the PRC economy, the PRC property market has been growing rapidly. The total investment in real estate development projects increased from approximately RMB4,825.9 billion in 2010 to approximately RMB10,258.1 billion in 2016, representing a CAGR of approximately 13.4%. According to the data released by the National Bureau of Statistics of China, in 2016, the total GFA of commodity residential housing completed was 771.9 million sq.m.. The GFA of commodity residential housing under construction was approximately 5,213.1 million sq.m.. The GFA of commodity housing sold was approximately 1,375.4 million sq.m., increased for 22.4% than that of last year. Meanwhile, due to the increase of demand in the property market by investors, both the transaction volume and price increased. The average selling price of

commodity residential housing rose from approximately RMB4,725.0 per sq.m. in 2010 to approximately RMB7,202.6 per sq.m. in 2016. While the average selling price of houses for business use increased from RMB7,747.0 in 2010 to RMB9,786.3 in 2016, representing a CAGR of approximately 4.0%.

The market has fluctuated within a foreseeable range, and the market players have taken measures to maintain their business. The recent economic downturn has certain negative impact on the PRC property market especially on high-end residential, but the influence is limited to rigid demand of residential market. However, with the announcement of restriction policies by some rapidly growing tier-one and tier-two cities, the investors have turned to other tier-two cities. Changsha is one of the tier-two cities that will benefit from those policies announcement, and can attract more investors.

4. MAJOR POLICIES AND REGULATIONS IN THE PRC REAL ESTATE MARKET

- **Half down payment and land premium increase to 20%**

Ministry of Land and Resources of the PRC has published "The Notice of Strengthening of Real Estate Supply and Market Supervision" (《關於加強房地產用地供應和市場監管的通知》) in 2013 to control the real estate market. The biggest influence of that notice is to pay land premium no less than 20% when land is being granted. The deposit will not be refunded if there is any late payment or late sign-up contract actions. What's more, developers should pay at least half down payment within a month after signing a land contract.

- **2014 Property Purchase Restriction Policies: A loosen-up property purchase restrictions to be launched to release the pressure of residential property supply**

A conference leaded by the Ministry of Housing and Urban-Rural Development of the PRC on July 2014 has proposed that cities can develop real estate market supervision policies based on local market situations. Those cities with large supply of residential properties should strengthen the real estate market structure by optimising ancillary facilities and improving administration process, etc.

- **Several Provinces Issued Documents that intends to improve the credit support to stabilise the healthy development of market**

Many provinces require more release of purchase restrictions, stronger credit support, adjustment of down payment ratio, lower loan interest and tax deduction. The official announcement of "Opinions of Promoting Steady and Healthy Development of Real Estate Market" (《福建省住房和城鄉建設廳發布關於促進房地產市場平穩健康發展的若干意見》) issued by Fujian Housing and Construction Department on 8 August 2014 represents the first bailouts in the provincial level. Subsequently, Hunan, Ningxia and Hubei also issued bailouts, in order to promote real estate developments. In terms of details, Fujian, Ningxia and Hubei can release restrictions based on specific market situation, while there is no restriction in purchase in Ningxia. Fujian, Hubei, Jiangxi and Ningxia have clearly put forward credit support, Hubei and Hunan relaxed ways to use housing accumulation funds, Ningxia and Hubei promote tax deduction.

- **Central Bank sharply relax credit, support personal housing loan to stimulate market demand**

In October 2014, People's Bank of China released "Notification to Further Improve Housing Financial Services of People's Bank of China and China Banking Regulatory Commission" (《中國人民銀行中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》): lower limit of first property's mortgage rate return to 0.7 times the benchmark interest; for the households with one property, bank will execute first property mortgage policy after the settlement of corresponding loans; for the households with two or more than two properties in the cities with no purchase restriction policy, bank can determine the down payment ratio and loan interest rate after the settlement of corresponding loans.

People's Bank of China and banking regulatory commission relaxed credit limit comprehensively, which has a positive effect on turning the market expectation. It can help stimulate market demand and change the downward trend of real estate market. In the background of financial liberalisation, all the banks will take the risk factors as the key consideration of credit relaxation.

- **Measures to stimulate real estate market by central government**

People's Bank of China, MOHURD and China Banking Regulatory Commission jointly announced "Notice on individual housing loan policy-rated issues" (《關於個人住房貸款政策有關問題的通知》) in March 2015. Real estate developers usually have arrangements with various selected banks for the provision of mortgage facilities to their customers and do not conduct independent credit checks on their purchaser but rely on credit checks conducted by relevant banks. For those who have owned one property but with outstanding mortgage loans, down payment of second purchase should not be less than 40%. Before that notice, down payment of second purchase is 60%, while 70% for big cities like Beijing and Shanghai, etc., lowest down payment can be 20% with housing provident fund loans for self use purchase; lowest down payment ratio of second purchase can be 30% with housing provident fund loans, after fully paid the first property loans.

Moreover, second-hand housing transfer tax can be exempted from 5 years to 2 years. Such easing measures would provide support to the recovery of Changsha's property market.

Before adjustment	Measures	After adjustment
Lowest down payment ratio is 60%, while 70% for the cities of Beijing, Shanghai, Guangzhou and Shenzhen.	Down payment of second property.*	Lowest down payment to be 40%, with outstanding mortgage loan of one property.
Lowest down payment ratio to be 20%, with first mortgage loan of self-use property below 90 sq.m.. Down payment ratio to be 30% with property more than 90 sq.m..	Down payment of housing provident fund loans.	Lowest down payment ratio to be 20% for the first self-use property purchase. Lowest down payment ratio of second purchase can be 30% with housing provident fund loans, after fully paid the first property loans.
5 years	Exemption of second-hand housing transfer tax**	2 years

Implementation date:

* Real down payment ratio and interest rate will be decided by the bank according to applicants' credit and payback ability

** 31 March 2015

Source: People's Bank of China, Ministry of Housing and Urban-Rural Development (MOHURD), China Banking Regulatory Commission, Ministry of Finance, State Administration of Taxation

- **Further lowering down payment ratio and transaction costs to stimulate real estate market by central government**

In the Central Economic Working Conference held in December 2015, "property destock" and "cancellation of the outdated housing purchase restriction measures" had been brought up and became the policy focus in the coming year.

On 2 February 2016, People's Bank of China and China Banking Regulatory Commission jointly released new mortgage policy of home purchase. In the cities with no purchase restriction, minimum down payment ratio of first home purchase is required to be 25%, and can be further lowered for 5%.

On 19 February 2016, Ministry of Finance, State Administration of Taxation and Ministry of Housing and Urban-Rural Development made an announcement of preferential policy of reduce deed tax and business tax in property transaction. This tax decrease policy is aimed to reduce transaction cost, which helps destock in property market, and stabilise real estate market. For business tax which applied to cities excluding Beijing, Shanghai, Guangzhou and Shenzhen, a full collection of business tax of property resell that within 2 years of purchase, and no tax for property resell that purchased over 2 years (2 years is included). And the deed tax adjustment is in the below:

	Size	Before adjustment	After adjustment	Decrease range
First home[1]	<90 sq.m.	1%	1%	—
	90–144 sq.m.	1.5%	1.5%	—
	>144 sq.m.	3%	1.5%	**1.5%**
Second home[2]	<90 sq.m.	3%	1%	**2%**
	>90 sq.m.		2%	**1%**

[1]*Note: first home deed tax adjustment applied to the cities including Beijing, Shanghai, Guangzhou and Shenzhen.*

[2]*Note: second home deed tax adjustment is applied to the cities excluding Beijing, Shanghai, Guangzhou and Shenzhen.*

5. CHANGSHA OVERVIEW

Changsha is the provincial capital of Hunan and the centre of politics, economy, culture and information of the province. Located in the northeast of Hunan, Changsha is a hub city with high influence and strong radiating capacity in middle China.

Changsha administrates six districts, two counties and one county-level city, namely Furong District, Tianxin District, Yuelu District, Kaifu District, Yuhua District, Wangcheng District, Changsha County, Ningxiang County and Liuyanghe county-level city. By the end of 2015, the city's total area is 11,816 sq.km. with total population of 7.65 million, and the constructive and urban build-up areas of Changsha are about 1,909.86 sq.km. and 363.69 sq.km. respectively. By the end of 2016, the city's total urban population is about 5.81 million.

Being one of the most important industrial bases in China, Changsha promotes growing of its key industries through development of industrial cluster. Engineering, machinery, automotive, motorcycle, new material, biological medicine, modern logistics and service out-sourcing industry are the representative key industries of Changsha. In 2011, Changsha was awarded "Top Ten Innovative Cities", and "Best Investment Service Cities of China" etc. In 2013, Changsha was awarded "Top Ten Model Cities of Ecological Civilized Construction in China", and also "Convention and Exhibition City in China" during the year of 2013–2014 in 2014. According to "Annual Report on Urban Competitiveness" published by Chinese Academy of Social Sciences, Changsha was ranked top ten cities for the first time in harmonious urban competitiveness levels. Moreover, in 2015 and 2016, Changsha was one of the 10 cities with the awards of "The Happiest Cities in China".

6. CHANGSHA ECONOMIC OVERVIEW

Changsha is one of the main economic cities and transportation hubs in China. The economy of Changsha keeps a rapid growth and the compound annual growth rate of GDP achieved approximately 12.7% from 2010 to 2016. In 2015, Changsha ranked the 16th on the Forbes of ''Best Business Cities in China''.

Major Economic Indicators in Changsha

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
GDP *(RMB billion)*	454.706	561.933	639.991	715.313	782.481	851.013	932.370	12.7%
GDP growth rate	21.4%	23.6%	13.9%	11.8%	9.4%	8.8%	9.6%	—
GDP per capita *(RMB)*	66,443	79,530	89,903	99,570	107,683	115,443	123,681	10.9%
Total Investment in Fixed Assets *(RMB billion)*	290.983	327.428	401.196	459.339	543.575	636.329	669.332	14.9%
Real estate Development Investment *(RMB billion)*	68.415	88.692	103.200	115.361	131.050	99.660	126.055	10.7%
Total Retail Sales of Consumer Goods *(RMB billion)*	182.579	221.534	254.601	291.790	329.355	369.059	411.740	14.5%
Disposable Income per capita of urban residents *(RMB)*	23,347	27,069	31,044	33,662	36,826	39,961	43,294	10.8%
Disposable Income per capita of urban residents growth rate	11.9%	15.9%	14.7%	8.4%	9.4%	8.5%	8.3%	—
Urbanisation rate	67.7%	68.5%	69.4%	70.6%	72.3%	74.4%	76.0%	1.9%

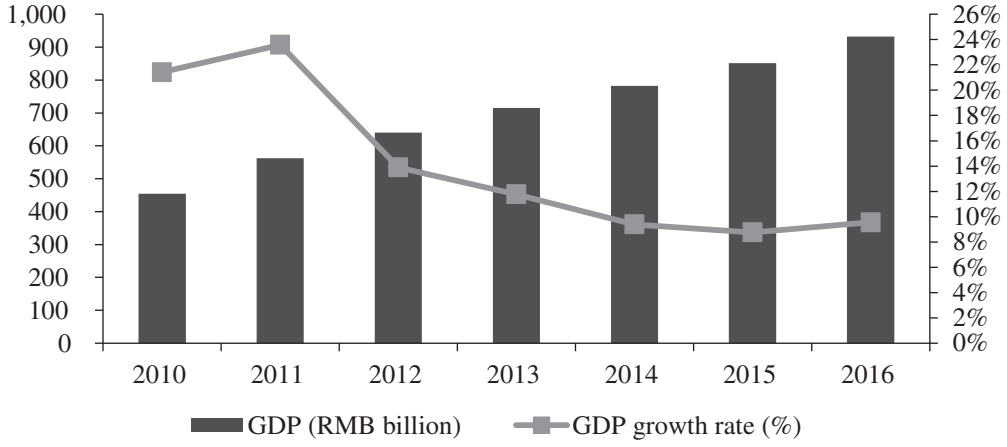
Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

Such fast paced economic development would provide support to the prosperity of Changsha's property market.

6.1 REGION GDP AND PER CAPITA GDP

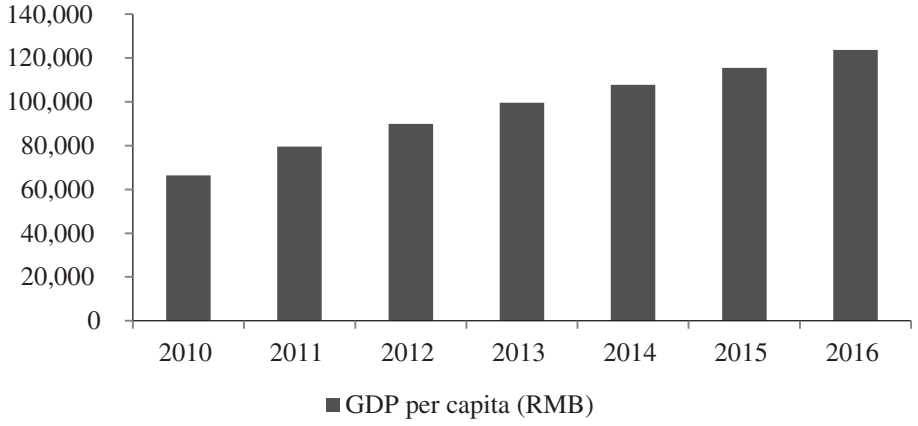
In 2016, Changsha achieved GDP of RMB932.370 billion, which accounted for 29.8% of Hunan province's total, and increased by 9.6% over 2015, which ranked the 13th in China. In 2016, Changsha achieved GDP per capita of RMB123,681, showed 2.7 times the average level of Hunan province, and ranked the 12th in China. The primary, secondary and tertiary industry has made contribution of GDP growth by 0.1%, 3.7% and 5.6% respectively. The ratio of the three industry structure has adjusted to 4.0: 48.4: 47.6 in 2016.

2010–2016 GDP and GDP Growth in Changsha



Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

2010–2016 GDP per capita in Changsha

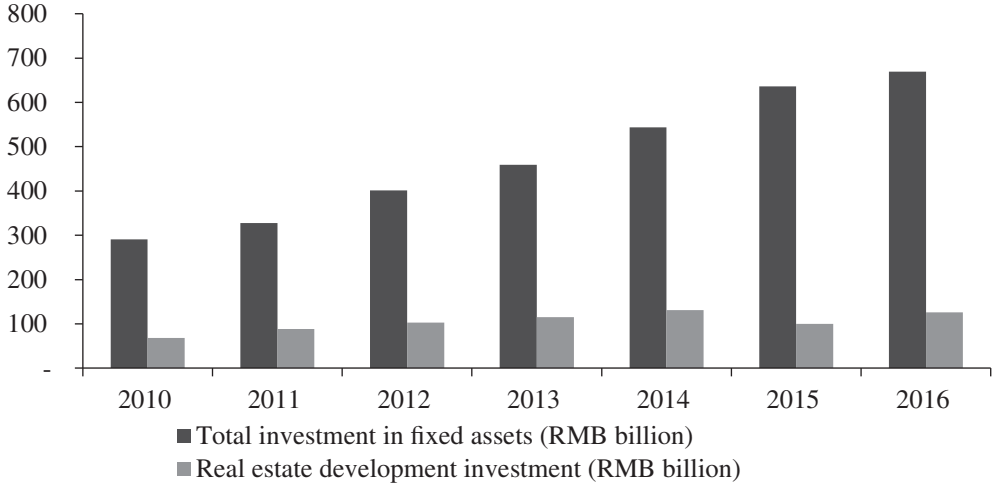


Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

6.2 FIXED ASSET INVESTMENT

Changsha achieved total investment in fixed assets of RMB669.332 billion in 2016, increased by 5.2% over 2015. Among which, real estate development investment achieved RMB126.055 billion in 2016, and increased by 26.5% over 2015, which accounted for 18.8% of the total investment in fixed assets.

2010-2016 Total Investment in Fixed Assets & Real Estate Development Investment



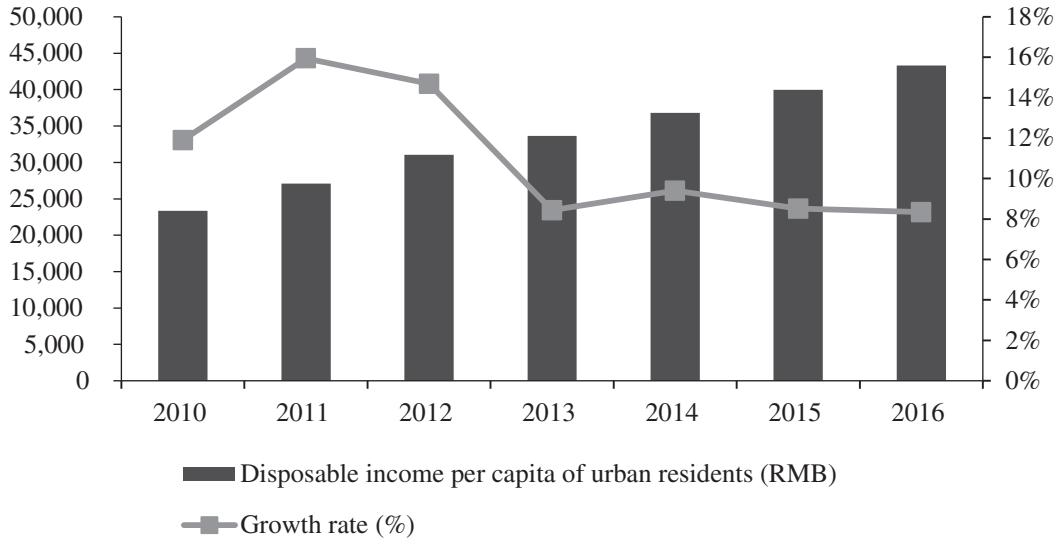
Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

In 2016, the infrastructure construction investment achieved RMB143.69 billion, increased by 15.4% over 2015. During recent years, the infrastructure construction investment is substantial and the urban landscape has changed dramatically. Changsha Huanghua International Airport, located in the town of Huanghua in Changsha, has two terminal buildings and currently among the busiest airports in China. Changsha Railway Station located in the city centre provides express and regular services to most cities in China via the Beijing–Guangzhou and Shimen–Changsha Railways. Changsha South Railway Station is a new high speed railway station located in Yuhua district on Beijing-Guangzhou High-speed Railway. Changsha Metro has opened Line 1 and 2, a further four lines are planned for construction. With the substantial infrastructure investment, the urban landscape has changed greatly and the city's competitiveness is enhanced. Changsha is now an important transportation centre among other major cities in PRC.

6.3 DISPOSABLE INCOME PER CAPITA

In 2016, Changsha per capita disposable income of urban residents was RMB43,294, an increase of approximately 8.3% than 2015, ranked the 1st in the capital cities of middle China. While the salary income per capita achieved RMB23,283, increased by 10.6% over 2015.

2010–2016 Disposable Income Per Capita of Urban Residents and Growth Rate

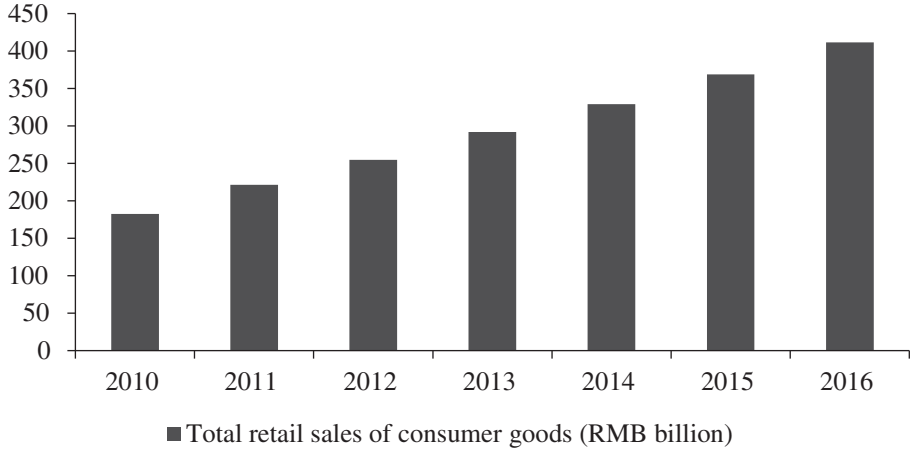


Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

6.4 THE TOTAL RETAIL SALES OF CONSUMER GOODS

In recent years, the total retail sales of consumer goods of Changsha are growing steadily. In 2016, the total retail sales of consumer goods have increased by 11.6% over 2015 and have achieved RMB411.740 billion.

2010–2016 Total Retail Sales of Consumer Good



Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

7. CHANGSHA REAL ESTATE MARKET ANALYSIS

7.1 Changsha Real Estate Market's Tendency, Potential Menace and Challenge

With the improvement of urban public facilities, Changsha is attracting more and more domestic real estate enterprises. Due to the regional nature of the real estate industry, the Target Group's major competitors consist of property developers developing residential properties in Changsha. From 2010 to 2016, a large number of famous real estate enterprises, such as Longfor, Greenland, Gemdale, China Resources Land, Agile, Excellence, Poly, Wanda, Kaisa, Jinmao, Vanke, have acquired development land in Changsha. It is estimated that more real estate enterprises will participate in Changsha's real estate market.

The Target Group's focus on middle-class mass market properties enables the Target Group's projects to have relatively wider accessibility to the general public and therefore wider potential customer base as opposed to high-end residential properties which are only affordable to a relatively smaller crowd of potential customers. However, some of the enterprises may have better track record, better financial, marketing and land resources, more extensive sales networks and stronger brand. Real estate developers compete based on a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Undeveloped land in China's major cities is becoming increasingly scarce and the cost of acquiring suitable land for property development has been increasing. Land acquisition costs are also affected by a number of factors, including land location, timing of acquisition, method of acquisition (through tenders, auctions or listings-for-sale on the primary market, and private acquisition and cooperative agreement on the secondary market) and relevant changes in the PRC land acquisition policies and regulations. Property development is capital intensive. Increasing competition in this city may lead to an increase in competition for quality sites, land acquisition costs, intensified price competition and delay in the new property developments review and approval by the governmental authorities.

Ranking of Property Developers in Changsha in terms of Transaction Amount of Residential and Office for 2016

Ranking	Name of Enterprise	Sales *(RMB million)*
1	Evergrande	5,443
2	Beijing North Star	4,978
3	Vanke	4,637
4	China Jinmao	3,085
5	Hunan Xiulong Property	3,056
6	Poly Real Estate	2,599
7	Xinhe Real Estate	2,533
8	China Overseas Property	2,365
9	Minmetals Land	2,285
10	Chanfine Group	2,211
31	Fullsun Group	817

Source: CRIC

Fullsun Group was one of the top 50 real estate enterprises in Changsha. In terms of transaction amount of residential and office properties, it has achieved transaction of RMB817 million in 2016, which ranked 31 of all the property companies.

The growth rate of Changsha's GDP is still higher than the national average rate, though the growth rate tends to slow down due to global economy fluctuation and China's economic structure transformation. Being affected by the slowdown of population growth, the rigid demand and improvement demand for housing tend to slow down. However, because of the increasing citizen consumption ability year by year, the real estate market is still in relatively rapid development period.

In 2015, the newly built residential property permitted for sale and total transacted volume in Changsha are 21.4520 million sq.m. and 22.4478 million sq.m. respectively. In 2015, transaction of commodity house in Changsha reached the historical high and the inventory decreased rapidly. Binjiang New Town and Meixi Lake have gradually become the hot plates in transactions.

7.2 The Major Factors of Driving the Real Estate Market Demand

- *The improvement of city drives real estate demand*

  With the economic structure transformation of first-tier cities and the implement of the "Rise of Central China Plan", a large number of industrial enterprises are moving to the middle-west cities. Changsha has become an important industrial city.

- *The redevelopment of shantytowns helps the urban renewal*

  The goal of shantytowns redevelopment is amounted to 16,500 shantytowns with a total GFA of 1.48 million sq.m. in 2017 and the same will help the urban renewal, urbanisation and the development of real estate.

- *Purchasing power promotes the demand of real estate*

  In 2016, Changsha's urban per capita disposable income increased 8.3% over 2015 to the level of RMB43,294. The increasing urban residents' income and the residents' purchasing power will promote the demand of real estate.

- *Benefit from urban agglomeration development in the middle reach of Yangtze river*

  According to "The Urban Agglomeration Development Plan in the Middle Reach of Yangtze River" (《長江中游城市群發展規劃》) recently approved by the State Council, which covers Hubei, Hunan and Jiangxi provinces, the infrastructure of the said regions will be further enhanced and the change of Changsha's city landscape will further promote the demand of real estate development.

- *Benefit from Changsha, Zhuzhou, and Xiangtan integration*

With the advancement of Changsha, Zhuzhou, and Xiangtan integration, the urbanisation development of Changsha will be further promoted and the same will attract investment and increase demand for the real estate market.

7.3 The Local Real Estate Policy and Regulation

- *Introduction of Five Policies about Real Estate Market of Hunan Province*

According to the "Opinion of Hunan Residential and Urban Construction Committee to promote Stable and Healthy Development of Hunan Real Estate Market" (《湖南省住房和城鄉建設廳關於促進全省房地產市場平穩健康發展的意見》) issued by Residential and Urban Construction Committee on 8 November 2014, the government will promote the stable and healthy development by "Xiang Five Policies" (《湘五條》) as follows:

	Content
Indemnificatory Housing	1. A proper quantity of commodity housing purchased by local governments, enterprises and economic zones and used as public rental residential and resettlement residential; 2. Incorporated in 2015 Provincial Indemnificatory and Resettlement Housing Scheme; 3. Took advantage of financial support from National/ Provincial Indemnificatory and Resettlement Housing Scheme; 4. Included in tax reduction or remission policy for ancillary housing.
Housing Funds	1. Provident-fund-guaranteed home loans could be applied by depositor of Housing Funds who purchases house within the province. 2. Housing Funds limited to the monthly deposit of Housing Funds could be used as rental payment for those citizen without owning of house.
Developers	The grade-A real estate enterprise can be issued a commodity housing pre-sale permit when the incurred investment is greater than 25% of the total budgeted investment and the construction reach above ground level.

	Content
Government Approval	Simplify government procedures to increase efficiency.
Others	Specific execution plans can be set up by local government according to actual situation.

- *Ease of Housing Provident Fund Policy*

According to "Announcement of the Policies on Adjusting the Housing Provident Fund Loan and Bank Loan"(《關於調整住房公積金提取、貸款有關政策的通知》) issued by Changsha Housing Provident Fund Management Committee on 18 November 2014, and had been executed on 18 December 2014. Some of the policies are as follows:

— Working staff paying housing provident fund continuously for more than six months can apply for the loan of housing provident fund.

— As long as qualified, the loan of housing provident fund can be applied, even though paid in the other place.

— The loan of housing provident fund can be applied for buying, building or rebuilding houses in 2 years.

— The loan of housing provident fund can be applied to pay house rent each year. In addition, the loan guarantee fee has been cancelled.

The ease of Housing Provident Fund Loan in Changsha can help promote the transactions in real estate market.

- *Various Regional Subsidies*

District	Subsidy	Amount	Content of Subsidy
Xiangjiang New District	Human resource introduction	RMB200/sq.m.	1. talents recognised by relevant departments and agencies; 2. entrepreneurs above college level; shareholders, chairman or general manager with over 30% of company shares; 3. talents recognised by enterprises in the key areas.
Tian Xin District	Office purchase subsidy	RMB1,500/sq.m. at most	Subsidy of RMB1,500/sq.m. for international or national financial headquarters' office purchase; RMB1,000/sq.m. for provincial headquarter; RMB200/sq.m. for other financial institutions.
Wangcheng District	Housing purchase subsidy	Total of RMB100 million for the whole district	From 1 August 2014 to 31 December 2015, district government will offer housing purchase subsidy according to the deed tax credit for the purchase of commodity residential and second-hand residential properties.
Changsha County	Housing purchase subsidy	RMB10,000 for housing above 90 sq.m., and RMB5,000 for housing under 90 sq.m.	Since 25 December 2014, subsidy can be achieved by newly built commodity residential properties purchase in Changsha County (includes Jingkai District and excludes Tiaoma County, Muyun Street, Nantuo Street): RMB5,000 per unit for housing under 90 sq.m. (90 sq.m. included), RMB10,000 per unit for housing over 90 sq.m.. Subsidy term lasts for 6 months.

Source: Centaline Statistics of Hunan Province

- *Cancel the restriction of housing purchase*

Changsha has officially cancelled the restrictions on 31 July 2014, and the same will help to release certain investment demand on property.

- *Destocking policies to stimulate property market*

Hunan Government has announced "Several Opinions about Resolving Commodity Housing Inventory and Promote Stable and Healthy Development of Real Estate Market" (《關於積極化解商品房庫存促進房地產市場平穩健康發展的若干意見》(湘政辦發(2016) 23號)) on 6 April 2016. It aims to destocking in the aspects of both demand and supply. On the one hand, farmers are encouraged to purchase in urban city area, housing provident fund system will be optimised and leasing market will be cultivated, and find ways to lower housing purchase cost, and increase living standard. On the other hand, strictly control land supply, promote transformation of real estate development, and strengthen the real estate market risk prevention and control.

The above-mentioned stimulus policies helped boost the property market, enhance consumers' confidence and ease the economic downturn to some extent.

In 2015, China has experienced 5 times of interest rate cut, 3 times of bank reserve requirement ratio cut, changed from business tax to value added tax, lower the down payments of people with an existing mortgage pay on their second home loan, issued new policy of provident fund, and allowed two kids for all couples. These policies had reduced pressure on housing buyers and have motivated purchasing demand of houses. In 2016, overheated real estate investment momentum led to price booms across the whole country, which also drove Changsha housing price to rise significantly. The vitality of Changsha real estate market has been wholly stimulated.

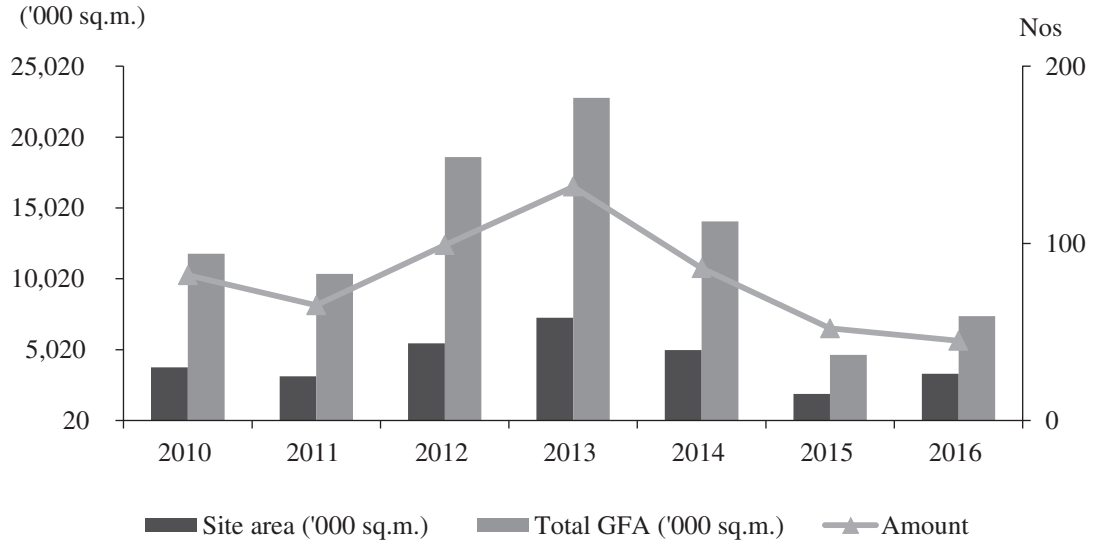
In order to control the property price boom of Changsha, on 18 March 2017, Municipal General Office of Changsha Government issued "Notification on Further Promotion of Steady and Healthy Development of Real Estate Market Changsha" (《關於進一步促進房地產市場平穩健康發展的通知》). Changsha government took measures to implement regional restriction order, which suspend to sell new built commercialised houses to non-Changsha registered families with 1 or more than 1 houses in the restricted district; implement differential housing credit policy. When Changsha families who own 1 house with outstanding loans purchase their second commercialised house, the down payment ratio was up to no less than 45%.

7.4 The Price Tendency and Fluctuation Analysis of Land Prices, Building Material Cost and Contractor Construction Services

- *Land Prices*

A total of 45 plots of land comprising a total site are of 3.33 million sq.m. in the six districts of Changsha were sold in 2016. The total land premium regarding the said land transactions in 2016 was of RMB15.061 billion, increased by 191.54% compared with that in 2015. The main reason for such increase is the majority of the supply of transacted land located in urban city area in which land price rose significantly.

2010–2016 Land Transaction in Changsha



Source: Centaline Statistics of Hunan Province

2010–2016 Accommodation Value of Transacted Lands in Changsha

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
Accommodation Value *(RMB/sq.m.)*	1,617	3,055	2,030	2,015	1,832	1,134	2,132	4.7%

Source: Housing Management Department

Since 2010, the accommodation value (AV) keeps a growing trend in five districts of Changsha (Wangcheng District is included since 2012). Wangcheng District is in a new rural district, which made the overall AV decrease in 2012. It remained stable in 2013 and 2014, the reasons behind are the transactions in rural districts like Wangcheng District, Yuelu District account for a large portion, which lower the overall price.

In 2015, as influenced by the new policies of monitoring land supply issued by the Ministry of Land and Resources of the PRC, Changsha government has reduced the land supply in the same year to facilitate the destocking progress of the real estate market. The accommodation value has also dropped to RMB1,134/sq.m. in 2015 because a large proportion of the land transaction in this year was attributable by industrial land, lowering the overall average accommodation value of the city. In 2016, due to the city's rising residential property market and the shortage in land supply, the accommodation value has increased to RMB2,132/sq.m. from 2015, representing a CAGR of 4.7% since 2010.

- *Building Material Cost and Contractor Construction Services*

According to China Construction and Engineering Cost Information Web regarding the construction costs of the nation's 30 large and medium-sized cities, the construction and installation costs of real estate development in Changsha from the first half of 2010 to the second half of 2016 are as follows: a decreasing trend in the construction cost, especially in the first half of 2015, but rose again from the first half of 2016.

	First half of 2010	**Second half of 2010**	**First half of 2011**	**Second half of 2011**	**First half of 2012**	**Second half of 2012**	**First half of 2013**	**Second half of 2013**	**First half of 2014**	**Second half of 2014**	**First half of 2015**	**Second half of 2015**	**First half of 2016**	**Second half of 2016**
High-rise residential property *(RMB/sq.m.)*	1,441	1,550	1,371	1,734	1,471	1,463	1,486	1,484	1,437	1,400	1,328	1,207	1,212	1,250
Small high-rise residential property *(RMB/sq.m.)*	1,216	1,350	1,259	1,594	1,445	1,423	1,445	1,489	1,432	1,394	1,308	1,202	1,206	1,237
Multi-storey residential property *(RMB/sq.m.)*	975	1,100	1,200	1,494	1,235	1,219	1,244	1,255	1,175	1,129	1,079	1,003	1,004	1,019

Source: China Engineering Cost Network

The monthly average wages of construction workers in Changsha maintained a rising trend in the past few years, from RMB2,417 per month in 2010 to RMB4,358 per month in 2015 at a CAGR of approximately 12.5%, which was mainly attributable to the robust demand of labour force.

2010–2015 Monthly Average Wages of Construction Workers and Growth Rate in Changsha

Source: 2016 Changsha Statistical Yearbook, Changsha Statistical Bureau

7.5 Analysis of Residential Market

- *Development of Residential Market*

The residential market of Changsha has grown rapidly since 2007. The central urban area of Changsha is well developed with the shantytown redevelopment projects as the development focus in the future. The hottest areas of Changsha include Binjiang New Town, Meixi Lake, Yanghuwan in Yuelu District, North City of Kaifu District and the High-speed Railway New Town as well as the South City of Yuhua District.

Area	Characteristics	Position	Key Projects	Price Range *(RMB/sq.m.)*
Meixi Lake	• Excellent natural environment (Meixi Lake and Yuelu Mountain) • Attract lots of well known developers	• International Meeting & Conference • Business Centre • Innovative Research Centre	• No.1 of Meixi Lake (梅溪湖壹號) • Kaisa Yunding Meixi Lake (佳兆業雲頂梅溪湖) • Tianxiang Crystal Inlet (天祥水晶灣) • Changfang Meixi Xiangshan (長房梅溪香山) • Jinmao Plaza (金茂廣場)	11,000–15,000

Area	Characteristics	Position	Key Projects	Price Range *(RMB/sq.m.)*
Binjiang New Town	• Riverside of Xiang River • Attract lots of well known developers	• Administration and culture centre • Financial and commercial centre • Information services • Natural habitats area	• Poly West Coast (保利西海岸) • City Seacoast Phase II (華韻城市海岸二期)	9,000–14,000
Yanghu Wan	• Newly developed area • Good natural environment (Yanghuwan Wetland Park)	• Economic centre • Leisure areas	• China Overseas International Community (中海國際社區) • Xingyulin • Tingxiang Shili (星語林 • 汀湘十里)	9,000–12,000
South City	• Provincial government • Comprehensive infrastructure and facilities	• Middle modern service centre	• Changcheng Yayuan Phase II (長城雅苑二期) • Manbu Jiangwan (慢步江灣) • Arcadia Court (湘江雅頌居)	8,000–13,000
North City	• Low population density with good natural environment	• Industrial Service area • Natural habitats area	• Lily & Laurel (珠江酈城) • Minmetals Qin Garden Gold City (五礦沁園金城) • Greenland Bund Mansion (綠地海外灘)	8,000–12,000
High-speed Railway New Town	• Proximity to high-speed railway station • Inter-city transportation hub	—	• Mingsheng One City (明昇壹城) • Evergrande International Plaza (恒大國際廣場) • Dream of The River (清溪川九號)	9,000–13,000

- *Demand and Supply*

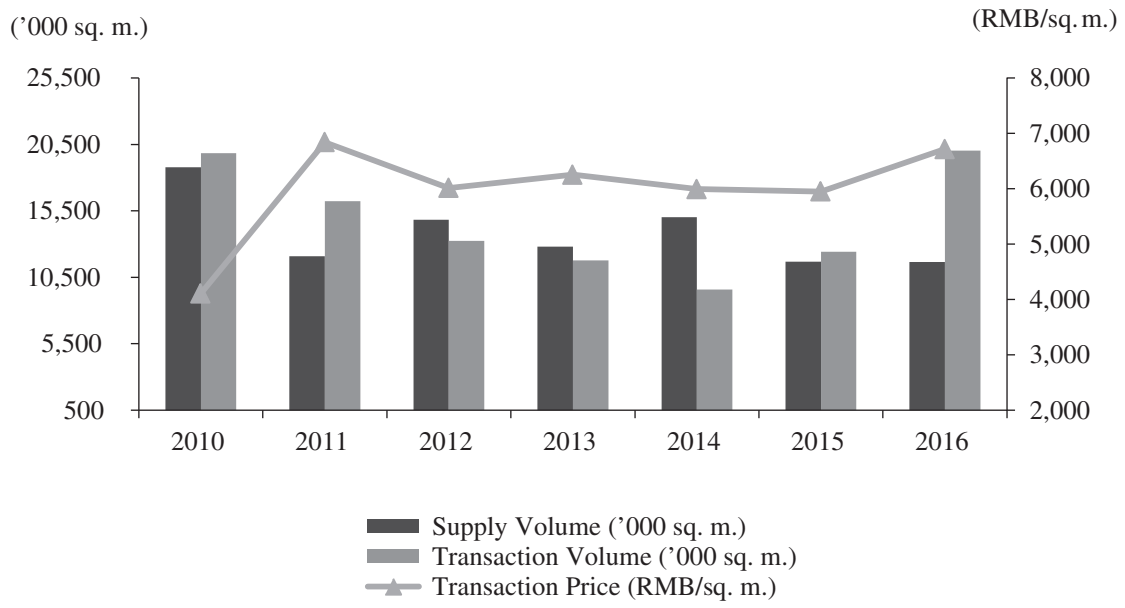
Both the transaction volume and price of residential market of Changsha increased in 2016. The total supply of residential GFA in the six districts of Changsha in 2016 was 11.7 million sq.m.. The supply of residential property in Yuelu District was the largest whilst Furong District was the smallest. The transacted GFA of residential property in the six districts of Changsha in 2016 increased 61.3% over 2015 to 20.0 million sq.m.. Supply of residential property is ample and the absorption of existing residential inventory will take time. In 2016, the average transaction price reached RMB6,714 per sq.m., which is the highest level since 2012.

2010–2016 Demand and Supply of Newly Built Residential Properties in Changsha

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
Supply Volume *('000 sq.m.)*	18,777.1	12,075.0	14,823.6	12,800.1	15,010.7	11,680.0	11,660.0	–7.6%
Transaction Volume *('000 sq.m.)*	19,828.7	16,230.6	13,242.3	11,764.8	9,567.0	12,412.0	20,020.0	0.2%
Average Transaction Price *(RMB/sq.m.)*	4,108.0	6,840.0	6,012.0	6,252.0	5,993.0	5,948.0	6,714.0	8.5%

Source: Centaline Statistics of Hunan Province

2010–2016 Demand and Supply of Newly Built Residential Properties in Changsha

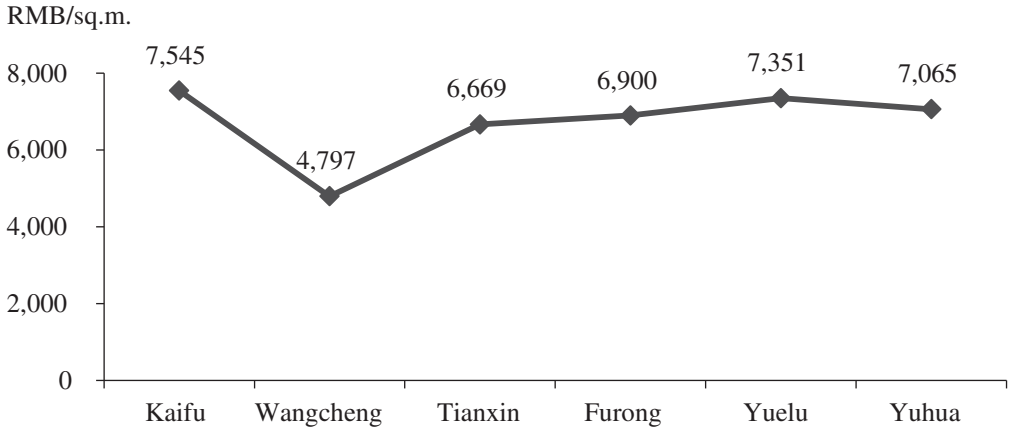


Source: Centaline Statistics of Hunan Province

The transaction price of newly built residential property was escalated rapidly in 2011 and kept relatively stable thereafter due to the ample supply and government intervention. The average transaction price for newly built residential in 2016 was RMB6,714 per sq.m..

Transaction price of residential market in Changsha reached a peak in 2011 with RMB6,840 per sq.m. and then declined and skid around RMB6,000 per sq.m. between 2012 and 2015. The reasons behind was the inclusion of Wangcheng District, a rural district may lower the overall price. In addition, Wangcheng District and Yuelu District became the main supply of first-hand residential market from 2012 to 2015, their overall price was lower than urban areas.

2016 Average Transaction Price of Residential Market of the Six Districts in Changsha



Source: Centaline Statistics of Hunan Province

In 2016, there was an overall increase in the prices of residential properties in Changsha. The average transaction price increased 12.9% year-on-year compared to 2015, reaching RMB6,714 per sq.m. in 2016. The average transaction price for newly built residential property of the six districts of Changsha was the highest of RMB7,545 per sq.m. in Kaifu District, whilst Wangcheng District was the lowest of RMB4,797 per sq.m.. The average transaction price for newly built residential property in traditional urban living areas of Tianxin, Furong, Yuhua Districts was within the range of RMB6,700–RMB7,100 per sq.m.. The average transaction price of newly built residential property in the six districts of Changsha was generally increased when comparing to 2015.

- *Market Outlook and Expectation*

The transaction volume of residential property is expected to reduce in 2017, because of the tightening policies and the transaction price of residential property in Changsha is expected to be stable or slightly increase. Yuelu District, especially Meixi Lake, Binjiang New Town, and Yanghuwan, is the major district of residential supply in foreseeable future. In view of the good progress in Changsha's residential properties destocking, the government plans to increase residential land supply in order to facilitate steady and healthy development of Changsha real estate market in the future, as mentioned in the Central Economic Working Conference and also shown in a series of measures taken by Changsha government.

- *Project Position and Competitive Analysis*

Qianlong Royal Family is a mid-range residential complex under development located at Xinglianxi Road, Kaifu District, which is adjacent to Xiufengshan Park and Eryangshan Park and belongs to North City Area. E'Yangshan Park, Xiufeng Park, Zhounan Middle School, Zhounan Primary School are all located in the vicinity. There are many middle to high-end residential developments in the area for sale, such as Greenland Haiwaitan (綠地海外灘), Shijia Shuimu Hualu (世家水木華麓), Zhongkun Lingxiu Feng (中坤領秀峰). The price range of the aforesaid high-rise developments is from RMB8,000 per sq.m. to RMB12,000 per sq.m., whilst RMB12,000 per sq.m. to RMB15,000 per sq.m. for those low-rise residential developments. The target customers of Qianlong Royal Family are mainly first time purchasers. Main layouts of the residential units are two-bedroom and three-bedroom units with gross floor area of 75 sq.m. to 120 sq.m.. As retail sector in the area is just begin to develop, current price for retail podium is RMB22,000 per sq.m. to RMB46,000 per sq.m.. With more convenient transportation between North City and the city centre by the completion of Metro Line 1 in 2016 and the North City Passenger Transit in 2017, and the North City, which can bring the demand for residential property in such area from the white collars.

Qianlong Premier Mansion is a mid-range residential project located at Tianjian Road, Tianxin District, facing one of the city's landmarks, Helong Sports Centre. There are comprehensive infrastructure and public facilities available. Some middle to high-end residential developments for sale in surrounding area including Wanli Jiangshan (萬里江山), No. 1 of Zhongjian Jiangshan (中建江山壹號). The price range is from RMB13,500 per sq.m. to RMB18,000 per sq.m.. The target customers are high income citizens who intend to improve living standard by upgrading to larger units. Main layouts of the average units are two-bedroom and three-bedroom units while those prime residential developments are of river-view with gross floor area of 150 sq.m. or above. The sales of Qianlong Premier Mansion is expected to be more positive than developments in other areas if the pricing is reasonable since the development is located in central district of Changsha with comprehensive infrastructure and public facilities.

Qianlong Fine Art is a mid-range residential and commercial project located at the intersection of Furong Zhong Road and South 2nd Ring Road, Tianxin District, which is the central district of Changsha with comprehensive infrastructure, transportation, education and medical facilities. Middle to high-end residential developments such as Tailong Huafu (泰龍華府), Tongyong Times International Community (通用時代國際社區), and Cambridge Mingmen (劍橋名門) are currently for sale in the vicinity. The price range is within RMB11,500 per sq.m. to RMB14,000 per sq.m.. The target customers are first time purchasers who have relatively higher income and purchasers who intend to upgrading to larger units. Main layout is three-bedroom unit with a gross floor area of 100–120 sq.m.. As supply of residential land in central district of Changsha is limited, the future price of prime residential units in this area is expected to be optimistic.

Qianlong Academy is a mid-range residential project located at the intersection of Shuyuan Nan Road and Xinshao Road in Tianxin District at the South City and just around 200 meters away from the new provincial government building area and next to

the east coast of Xiang River. The infrastructure and public facilities is considerably good. Changsha European City (長沙歐洲城), Star City Rongyu (星城榮域), Xingru Jin City (興汝金城) are currently for sale with price from RMB8,000 per sq.m. to RMB12,000 per sq.m.. The target market is first time purchasers. Main layout of the units are three-bedroom with gross floor area of 110–120 sq.m.. South City is currently under intense development with ample residential supply and the market is, hence, more competitive.

7.6 Analysis of Office Market

- *Development of Office Market*

The entering into World Trade Organisation in 2001 has great positive effect on office market in Changsha. Large amount of domestic and overseas enterprises entered into Changsha which led to a rapid growth of office market. High-end developments with professional setup are the main development trend of office buildings after 2005. Shuntian International Wealth Centre, Yada Times Plaza, Zhongtian Plaza and Yunda International Plaza all have relatively high standard of building facilities and professional property management. The prime office buildings in Changsha are mainly located at Furong Zhong Road, Wuyi Avenue, and Binjiang New Town. Grade-A office developments such as Wharf International Financial Centre and Huayuan The Central will enter the market in the coming two years, providing high quality office buildings in Changsha.

Area	**Project**	**Sale Price** *(RMB/sq.m.)*	**Rental** *(RMB/month/ sq.m.)*
Furong Zhong Road	Bofu International Square (泊富國際廣場)	18,000–22,000	110–140
Furong Zhong Road	Huachuang International Centre (華創國際中心)	17,000–20,000	—
Furong Zhong Road	Wall Street Centre (華爾街中心)	16,000	100–120
Furong Zhong Road	Yunda Central Square (運達中央廣場)	16,000	110–120
Furong Zhong Road	Kaile International City (凱樂國際城)	13,000	80–90
Wuyi Avenue	Yada Times Plaza (亞大時代廣場)	16,000–18,000	90–100
Wuyi Avenue	Zhongtian Plaza (中天廣場)	18,000	110–130
Wuyi Avenue	Huayuan The Central (華遠中心)	20,000–26,000	—
Riverside of Xiang River	Wanda Plaza (萬達廣場)	18,000	90–100
Binjiang New Town	Greenland Central Plaza (綠地中央廣場)	13,000	60–70
Binjiang New Town	Kailin International (楷林國際)	15,000–18,000	—
Binjiang New Town	Jiaxi Centre (喜熙中心)	17,000–20,000	—

Source: DTZ research

Major landmark office developments in Changsha like Zhongtian Plaza, Yada Times Plaza etc. are mostly clustered at the mature retail hubs along Wuyi Avenue with monthly rental of about RMB80 per sq.m. to RMB130 per sq.m.. Other newly built grade-A office buildings such as Bofu International Plaza, Shuntian International Wealth Centre and Wall Street Centre are gathered at Furong Zhong Road. The highest monthly rental reaches RMB140 per sq.m., whilst sale price is between RMB18,000 per sq.m. to RMB22,000 per sq.m.. Office buildings located at Binjiang New Town are mostly under construction. Projects which have put into use are Aux Plaza and Greenland Central Plaza with a monthly rental of RMB60 per sq.m. to RMB70 per sq.m. and a sale price ranged from RMB13,000 per sq.m. to RMB18,000 per sq.m.. There are also several high end office buildings planned to be developed in the area.

- *Demand and Supply*

Supply of office in Changsha from 2011 to 2016 is ample. The total supply and transacted office area in 2016 are 1,631,500 sq.m. and 618,700 sq.m. respectively, which represents a supply and demand ratio of 2.6:1. The main reason for the low transaction in 2016 is increased supply of high end offices with high price which were not endorsed by the market.

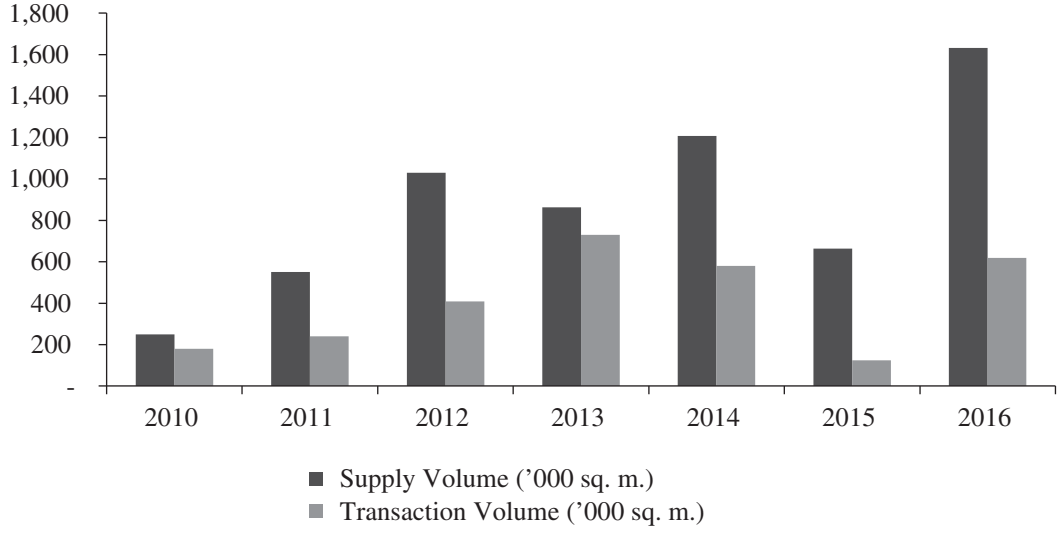
Transaction price of newly built offices increased more than double from 2010 to 2013, while it dropped 9.6% in 2016 compared to 2015. This is due to several office projects in Yuelu District came to the market with an overall lower price than the mature urban area, thus lowering the overall office price of the city.

2010–2016 Demand and Supply of Changsha Newly Built Office

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
Supply volume								
('000 sq.m.)	250.0	550.0	1,030.0	863.5	1,206.5	663.2	1,631.5	36.7%
Transaction volume								
('000 sq.m.)	179.6	239.7	408.9	730.1	579.6	124.2	618.7	22.9%
Average Transaction Price								
(RMB/sq.m.)	6,474	11,044	11,724	14,662	12,612	13,883	12,552	11.7%

Source: Centaline Statistics of Hunan Province

2010–2016 Demand and Supply of Newly Built Office in Changsha



Source: Centaline Statistics of Hunan Province

The sale price of prime office in Changsha is between RMB15,000 per sq.m. to RMB22,000 per sq.m.. and the monthly rental of the same is between RMB80 per sq.m. to RMB130 per sq.m. representing a gross yield of about 4%–6%. Office buildings located within 2 km radius around Furong Square have the highest sale price and rental in Changsha.

- *Market Outlook and Expectation*

In view of the current supply of office in Changsha, Changsha government has significantly reduced the commercial land supply since 2014 to facilitate the destocking progress in order to maintain a sustainable and healthy development of the office market. According to the actual land grant conditions as well as the "12th Five-Year Plan" of Changsha, future office developments in Changsha will mainly cluster in areas of Meixi Lake, Yanghuwan, Binjiang New Town, provincial government area and High Speed Railway New Town.

It is expected that under current economic condition, the office market in Changsha will remain stable in the coming few years with rental and sale price remain stable.

- *Project Position and Competitive Analysis*

Fullsun International Financial Centre is located in the core area of Binjiang New Town, Yuelu District. Pudong Development Bank, Guangdong Development Bank, Minsheng Bank is in the vicinity. Grade-A office buildings available for sale are Kailin International, Greenland Central Square, etc. The sale price of Kailin International is RMB17,000 per sq.m. to RMB20,000 per sq.m.. The sale price of Greenland Central Plaza is RMB13,000 per sq.m.. The monthly rental of Greenland Central Plaza and Minsheng Bank Building is between RMB60 per sq.m. to RMB70 per sq.m..

Fullsun International Financial Centre is a 200-meter high landmark Grade-A office development in Binjiang New Town. Other prime office development including Binjiang International Finance Centre, World Trade Binjiang Hilton Hotel, etc. will be completed in the next 2 years and the sale price as well as rental of the same is expected to increase due to the increase of supply and further establishment of business environment of Binjiang New Town as a new business area of Changsha.

Project	**Address Grade**	**GFA** *('000 sq.m.)*	**Launch Year**
Binjiang International Finance Centre 濱江國際金融中心	A	600	2018
Pudong Development Bank Building 浦發銀行大廈	A	52	2017
Guangdong Development Bank Building 廣發銀行大廈	A	112	2017
Kailin International 楷林國際	A	290	2018
World Trade Binjiang Hilton Hotel 世貿濱江希爾頓酒店	A	150	2017
Fuji Plaza 富基廣場	A	86.5	2017
Dingheng Finance Building 鼎衡金融大廈	A	60	2017

Source: DTZ Research

7.7 Analysis of Retail Market

- *Development of Retail Market*

Wuyi Square Retail Hub is the only city-level retail hub in Changsha whilst other retail hub like Rongwan County Retail Hub, Railway Station Retail Hub, Dongtang Retail Hub and Wujialing Retail Hub are all district-level. The distance between the centres of district-level retail hubs and Wuyi Square Retail Hub are all less than 3.5 kilometers.

Wuyi Square Retail Hub has long history and comprehensive retail types, which targets mid to high end customers. It comprises department stores of Pinghetang, Meimei, Wangfujin, Xindaxin, etc.

Wujialing Retail Hub is clustered of middle to low end retail shops with limited variety. The target customers are mainly residents in the vicinity. Current retailers are Xinyijia Superstore, Suibao Department Store, Taiyang Commercial City, Victoria Shopping Centre, Xinhe Furniture City, Wujialing Mechanic Market, and Floor City, etc.

Dongtang Retail Hub has various retail types include popular superstores and supermarkets. The target customers are mainly residents living in southern Changsha. Key retail projects include Pinghetang, Friendship Commercial City, Jinse Jiazu, Jiaxinmao Commercial Plaza.

Railway Station Retail Hub has various retail types which focus on computers and electronic products. It enjoys a convenient transportation and high population density. Main retail developments are A-polo Commercial Square, Golden Apple Market, Golden Mango Market, Meifujia Supermarket, Golden Sun Clothes Supermarket, Xinxing Market, Shenghuo Show clothes Market.

Rongwan Town Retail Hub has limited space which cannot match with the consumption demand in Hexi area. The major project is Tongcheng Commercial Square. Retail variety is relatively comprehensive but there is no high end shopping mall available currently.

- *Demand and Supply*

The transaction volume of retail was large in 2016. The total transacted GFA was 779,900 sq.m. for the six districts of Changsha and an average transaction price of RMB15,221 per sq.m.. Yuelu District has the largest amount of GFA and value transacted. With the completion of several commercial centres in the near future, the supply of commercial property in the coming 3 to 5 years will be substantial. The key development districts are Kaifu District, Yuhua District, and Yuelu District.

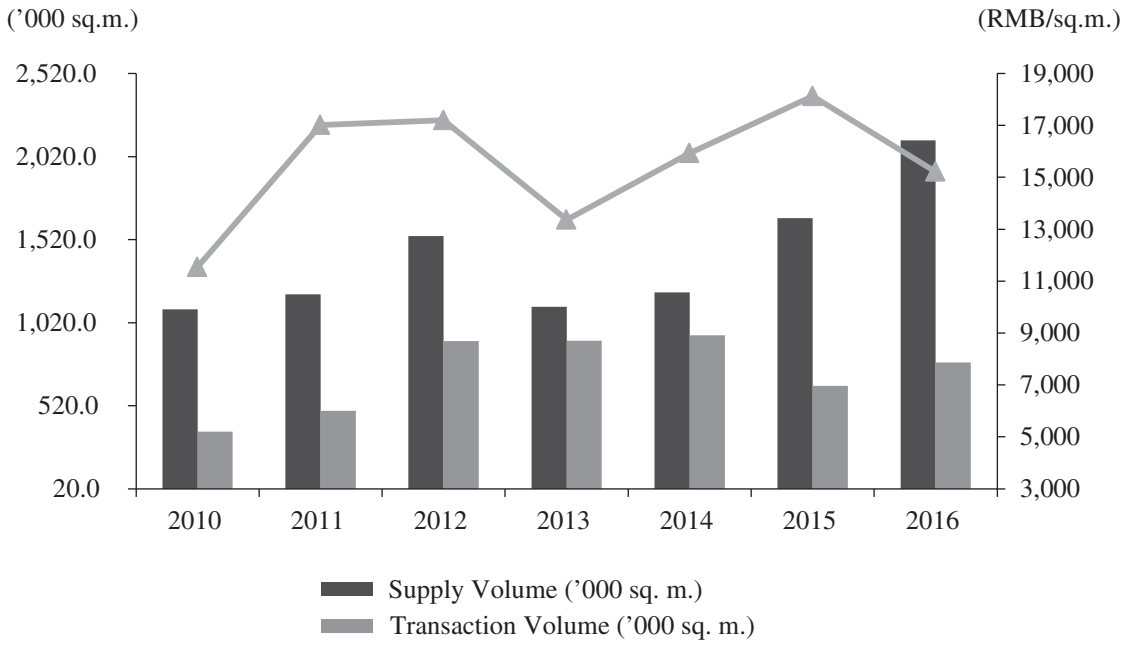
2010–2016 Retail Market Demand and Supply in Changsha

	2010	2011	2012	2013	2014	2015	2016	CAGR (2010–2016)
Supply Volume								
('000 sq.m.)	1,101.0	1,191.0	1,542.0	1,115.1	1,203.0	1,648.4	2,117.6	11.5%
Transaction Volume								
('000 sq.m.)	364.0	489.5	910.0	910.9	943.7	640.5	779.9	13.5%
Average Transaction Price								
(RMB/sq.m.)	11,552	17,016	17,203	13,369	15,932	18,129	15,221	4.7%

Source: Centaline Statistics of Hunan Province, CRIC

Large transaction in rural districts like Wangcheng District, Wuguang New Town Plate in Yuhua District, Yuelu District and Hanpu District lower the overall transacted price of 2013 and 2014. In 2016, the supplied GFA of retail reached 2,117,600 sq.m., with the transacted amount of 779,900 sq.m. and the average transacted price of RMB15,221/sq.m.. The properties with the largest floor area transacted in 2016 was Jinqiao Market (金橋市場集群), No. 4 of Phase 1 in Gaoling International Trade City (高嶺國際商貿城一期4號), Wantian International Building Materials Headquarter (灣田國際建材總部基地) and Gaoxing Logistic Park (高星物流園), of which the transacted area was over 49,000 sq.m..

2010–2016 Demand and Supply of Retail Market in Changsha



Source: Centaline Statistics of Hunan Province

In the fourth quarter of 2016, new retail supply including Jinmao Lanxiu City in the emerging Meixi Lake submarket and Yunda Central Square in the Wuguang submarket launched in the market. Both shopping centres opened with over 90% occupancy, adding two new prime shopping malls outside Changsha's traditional retail hubs. In the first quarter of 2017, Changsha added several experience-oriented retailers and pop-up stores. Ahead, the city anticipates delivery of the 230,000 sq.m. landmark Wharf IFC later in 2017, which will be Wharf's largest shopping centre in China. The monthly rental of retail developments in Wuyi Square Retail Hub and Binjiang New Town are as follows:

Area	**Volume** *(sq.m.)*	**Rent** *(RMB/month/sq.m.)*
Wuyi Square	670,000	200–700
Binjiang New Town	149,000	200–450

Source: DTZ Research

- *Market Outlook and Expectation*

The retail hub of Changsha is developing from single core area to multiple centres. Wuyi Square is municipal level retail hub with sizable shopping malls such as Bofu International Plaza, Fuxing International Finance Centre, and Wharf Holdings Group International Centre completing in the near future. In addition, Meixi Lake, Red Star Retail Hub, Beichen Riverside Retail Hub, Binjiang New Town, and High Speed Railway New Town will be the other retail hub of Changsha in the future.

- *Project Position and Competitive Analysis*

Qianlong International is located at Furong Bei Road, Kaifu District of Changsha, is a large scale composite development in northern Changsha. Major development projects in the vicinity comprise residential developments such as Greenland Haiwaitan, Double Bay International.

The sale price of retail in the area is between RMB20,000 per sq.m. to RMB45,000 per sq.m.. Monthly rental is between RMB40 per sq.m. to RMB80 per sq.m.. Xiang River Century City and Beichen Delta are relatively more mature residential community, hence higher sale price of retail property between RMB40,000 per sq.m. to RMB60,000 per sq.m. and a monthly rental between RMB80 per sq.m. to RMB200 per sq.m..

Two major commercial developments will be completed in the near future and the basic parameters are as follows:

Project	**Position**	**GFA** *('000 sq.m.)*	**Expected Launch Year**
Gaoling International Commerce City 高嶺國際商貿城	Global commerce trade centre of middle economic circle	9,600	2018
Greenland Haiwaitan Commerce Centre 綠地海外灘商貿中心	North city commerce centre	300	2018

Source: DTZ Research

A. REGULATORY OVERVIEW OF THE PRC PROPERTY INDUSTRY

(a) The Land System in the PRC

All land in the PRC is either state-owned or collectively owned, depending on its location. All land in the urban areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to expropriate or requisite its ownership of land or land use rights with compensation in accordance with the law for public interest.

Although all land in the PRC is owned by the state or by collectives, private individuals, businesses and other organisations are permitted to hold, lease and develop land for which they are granted land use rights.

(b) National and Legislation

In April 1988, the Constitution of the PRC was amended by the National People's Congress (the "**NPC**") to allow for the transfer of land use rights for value. In December 1988, the PRC Land Administration Law (《中華人民共和國土地管理法》) (the "**Land Law**") was amended to permit the transfer of land use rights for value. According to the Land Law which came into force in January 1999, a construction unit that wishes to use state-owned land may obtain the right to use state-owned land by way of a grant of land use rights or by way of an allocation of land with approval of the PRC government. On 28 August 2004, the Land Law was amended to allow the state to expropriate or requisite land for public interest with appropriate compensation.

Under the Regulations on the Implementation of the PRC Land Administration Law (《土地管理法實施條例》) promulgated by the State Council on the basis of the Land Law on 27 December 1998 and became effective on 1 January 1999 (amended on 8 January 2011 and 29 July 2014, respectively), the state implemented a system of land registration and issuance of land certificates. Land ownership and land use rights that registered according to law are protected by law.

Under the Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) ("**Interim Regulations on Grant and Transfer**") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes within a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the Interim Regulations on Grant and Transfer, the maximum periods of grant of land use rights are different based on their usages. They are generally stated as follows:

Use of Land	Maximum Period *in Years*
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, technological, cultural, public health or sports	50
Comprehensive Use or Others	50

Under the Interim Regulations on Grant and Transfer, all domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not repossess lawfully granted land use rights prior to the expiration of the term of grant unless public interest requires repossession by the state under special circumstances, in which case compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon paying in full the land premium pursuant to the terms of the contract, a grantee of land may apply to the relevant land bureau for a land use rights certificate. In accordance with the PRC Property Rights Law (《中華人民共和國物權法》), which was enacted on 16 March 2007 and came into effect on 1 October 2007, the term of land use rights for land for residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current property laws. In addition, if the state requisitions land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of the residential properties and other real estate on the land, and the relevant land premium shall be refunded by the state.

Upon expiry of the term of grant, renewal is subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

(c) Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the state to individuals or entities to entitle individuals or entities to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable in exchange for the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

In accordance with the Regulations on the Grant of State-owned Land Use Rights Through Competitive Bidding, Public Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources (《招標拍賣掛牌出讓國有土地使用權規定》) on 9 May 2002 and amended on 28 September 2007 September, and the Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) implemented on 1 January 1995 and amended on 30 August 2007 and 27 August 2009 respectively (the "Urban Real Estate Law"), land for commercial use, tourism, entertainment and luxury residential must be granted by means of competitive bidding, public auction or listing-for-sale.

According to the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007, land for industrial use, commercial use, tourism, entertainment, commodity housing development and land which attracts two or more applicants must be granted by means of competitive bidding, public auction or listing-for-sale.

On 11 May 2011, the Ministry of Land and Resources promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing-for-Bidding (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which specifies, among other things, (i) the correct utilisation of the regulating and controlling effects of the land transfer policy through tender, auction and listing-for-bidding; (ii) improvement on the transparency of the system of tender, auction and listing-for-bidding for housing land; (iii) adjustment and improvement on the land transfer policy through tender, auction and listing-for-bidding, including (a) limitation on house price or land price, and transfer of policy-related housing land by listing-for-bidding or auction; (b) limitation on the gross floor area (the "**GFA**") of allocated security housing, and transfer of commodity housing land by listing or auction; and (c) implementation of comprehensive assessment on conditions of land development and utilisation and land transfer prices, and determination of entitlement to land use rights by tender; (iv) promotion of online operation of land use rights transfers, such as publishing the transfer announcement on the websites of competent authorities, organising online quotation and auction to determine the winning bid; and (v) supplement and improvement on the content of the transfer contracts for land transfer through tender, auction and listing-for-bidding.

Under the Regulations on the Grant of State-owned Land Use Rights Through Competitive Bidding, Public Auction and Listing-for-Sale, competitive bidding for land use rights is where the relevant land administration authority (the "**grantor**") issues a bidding announcement, inviting individuals, legal persons or other organisations (either specified or otherwise) to tender bids for the land use rights of a particular parcel of land by submitting bid documents for review by the bid evaluation committee, with the land user to be determined according to the results of the bidding at the time and place specified in the bidding announcement. Auction for land use rights is where the grantor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. Listing-for-sale is where the grantor issues a listing-for-sale announcement, and in accordance with the announcement, the land grant conditions will

be listed in a specified land grant exchange within a specified period, bidders' payment applications will be listed and the land use will be granted according to the bidder's payment applications at the end of such listing period. The procedures are as follows:

(i) the land authority under the government of the city and county issues an announcement at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include, without limitation, basic particulars of the land parcel, qualification requirements of the bidder and auction applicants, the methods and criteria used to confirm the winning tender or winning bidder, and the deposit of the bid;

(ii) the grantor conducts a qualification verification of the bidding applicants and auction applicants and instructs the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale;

(iii) after determining the winning tender or the winning bid by holding a competitive bidding, public auction or listing-for-sale, the grantor and the person who made the winning tender or winning bid then sign a written confirmation. The grantor refunds the other applicants their deposits;

(iv) the grantor and the winning tender or winning bid then enter into a land use rights grant contract at the time and venue set in the confirmation. The deposit of the bid paid by the person who made the winning tender or winning bid is deemed to form part of the consideration for assignment price of the state-owned land use rights; and

(v) the person who made the winning tender or winning bid applies for the land registration after paying the assignment price. The competent government at county level or above then issues the "Land Use Rights Certificate".

The Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale further stipulate that the person who makes the winning tender or winning bid must apply for registration of the land after paying the entire premium, in accordance with the State-owned Construction Land Use Rights Assignment, before obtaining the State-owned Construction Land Use Rights Certificate. If the person who makes the winning tender or winning bid does not pay the entire assignment price, they will not be granted the state-owned construction land use rights certificate. Proportional division and grant of the state-owned construction land use rights certificate corresponding to the amount of the assignment price paid is not allowed.

In June 2003, the Ministry of Land and Resources of the PRC promulgated the Regulation on Transfer of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights used for business purposes including commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan

concerning issues such as the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design, date of grant as well as the proposed land premium, which shall not be lower than the minimum price regulated by the state, and submit such plan and proposed land premium to the relevant government for approval. After that, the local land bureau and the person who is interested will negotiate and enter into the grant contract based on the above-mentioned plan and proposed land premium. If two or more entities are interested in the land use rights to be granted, such land use rights shall be granted by means of tender, auction or listing-for-sale.

Upon signing the land grant contract, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issuance of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract or an amendment shall be entered into to renew the grant, and a recalculated grant premium shall be paid.

In order to control and facilitate the procedure for obtaining land use rights, several local governments have stipulated standard provisions in land grant contracts. Such provisions generally include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total GFA and height limitations, constructions of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premiums and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the appreciation of the new use. Registration procedures must then be carried out immediately. The municipal land and resources management departments enter into contracts in accordance with the Model Contract for the Assignment of the Right to Use State-owned Construction Land (《國有建設用地使用權出讓合同示範文本》), which was published by the Ministry of Land and Resources and the State Administration for Industry and Commerce (the "SAIC") on 29 April 2008 and which came into effect on 1 July 2008.

The Ministry of Land and Resources issued the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (《國土資源部關於加強房地產用地供應和監管有關問題的通知》) on 8 March 2010. The circular requires developers to make a 50% down payment of the land premiums within one month from the date of the land grant contract, and to make the rest of the payment within a year. When a developer enters into a land grant contract but fails to pay land premiums, the relevant land shall be confiscated.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (《國土資源部關於加強城市建設用地審查報批工作有關問題的通知》) enacted by the Ministry of Land and Resources on 4 September 2003, and became

effective from the date of promulgation, land use for luxurious commodity houses shall be stringently controlled, and applications for land use rights to build villas shall be denied. According to the Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Edition) and the Catalogue for Prohibited Land Use Projects (2012 Edition) (《關於發佈實施〈限制用地項目目錄 (2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》) promulgated by the Ministry of Land and Resources and the National Development and Reform Commission (the "**NDRC**") in May 2012, the area of residential housing projects granted should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) 20 hectares for large cities, and the plot ratio should not be lower than 1.0.

On 17 April 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which strengthens the supervision of land purchases and financing by real estate development enterprises. According to the notice, the departments of land and resources shall restrain the enterprises which have violated laws and regulations when purchasing new land. If a real estate development enterprise participated in the auction, development and construction of land, its shareholder(s) shall not illegally provide loans, on-lending, guarantee and any other relevant financing. Commercial banks are required to enforce the pre-loan examination and post-loan management on development loans extended to real estate enterprises. Commercial banks are required not to grant loans for new development projects to real estate development enterprises which have left any land idle or engaged in land speculation and the securities regulatory departments are required to suspend the approval of their listing, refinancing and restructuring of major assets.

(d) Transfer

After land use rights relating to a particular area of land have been granted by the state, unless any restriction is imposed, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the state. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgage.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract

pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 38 of the Urban Real Estate Law, real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. Under Article 39 of the Urban Real Estate Law, if land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use rights certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract, amongst others, more than 25% of the total amount of development for investment must have been made or completed for housing construction projects; and conditions for use of the land for industrial or other construction purpose must have been achieved where the development or investment involves a large tract of land.

(e) Land Reserve for Real Estate Development

According to the Measures on Administration of Land Reserve (《土地儲備管理辦法》) promulgated by the Ministry of Land and Resources, the Ministry of Finance and the People's Bank of China (the "**PBOC**") on 19 November 2007, the land reserve institution is a separate legal entity which is affiliated to the land administrative bureau, and the following land may be brought into the land reserve: (i) state-owned land requisitioned in accordance with the law; (ii) land repurchased by the government; (iii) land obtained by the government by exercising priority purchase right; (iv) agricultural land that has gone through usage modification and expropriation process; and (v) other land obtained in accordance with the law.

Where land is expropriated in order for urban renewal, the local land resource administration shall apply to the competent government for approval and pay compensation to the owners of the expropriated land use rights. The land reserve authority may also purchase the relevant land from the owner of the land use rights through negotiation, in which case it shall enter into a land use rights purchase contract with the owner, and the compensation shall be negotiated between the land reserve authority and the land user based on the assessed value of the land, and approved by the state-owned land resources administrative, financial authorities and other authorities stipulated by local regulations.

With the approval of the stated-owned land resources administrating authority, the land reserve authority has the right to conduct activities such as preliminary development, protection, management, temporary usage and financing on the land reserve and implementation of the preliminary development. After preliminary development, the relevant land in the reserve may be brought into the local land supply.

(f) Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right.

The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use rights has been with the user.

If the term of a land use right is not renewed, upon expiry, the land use rights and ownership of the related buildings erected on the land and other attachments is acquired by the state without compensation. The land user shall take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with the Regulations on the Implementation of the Land Administration Law (《土地管理法實施條例》) and other relevant regulations. However, in accordance with the Property Rights Law of the PRC (《中華人民共和國物權法》), the term of land use rights of land for residential use will automatically be renewed upon expiry. The renewal of the term of land use rights of land for other uses shall be dealt with in accordance with the then-current relevant laws.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect the required registration for the renewal grant.

(g) Document of Title

In the PRC, there are two registers for real estate. Land registration is achieved by the issue of a land use rights certificate by the relevant authorities to the land user. It serves as evidence that the land user has obtained land use rights which can be transferred, mortgaged or leased. The building registration is the issue of a real estate certificate to the owner. It serves as evidence that the owner has obtained building ownership rights in respect of the buildings erected on that piece of land. According to the Measures for Land Registration (《土地登記辦法》) promulgated by the Ministry of Land and Resources on 30 December 2007 and implemented on 1 February 2008, and the Measures for Building Registration (《房屋登記辦法》) promulgated by the Ministry of Construction on 15 February 2008 and implemented on 1 July 2008, all duly registered land use rights and building ownership rights are protected by the law. According to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) promulgated by the State Council on 24 November 2014 and implemented on 1 March 2015, the state applies a uniform registration system over real estate.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are maintained separately. However, in certain cities such as Shanghai, the two systems have been consolidated and a single composite real estate and land use rights certificate will be issued evidencing the ownership of both land use rights and the buildings erected on the land.

(h) Establishment of a Real Estate Development Enterprise

According to the Urban Real Estate Law, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (the "**Development Regulations**") promulgated by the State Council on 20 July 1998 and amended on 8 January 2011, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements: (i) its registered capital must be RMB1 million or more and (ii) it must have four or more full-time professional real estate or construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer should apply for registration with the administration for industry and commerce on or above the county level. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its business license.

On 11 July 2006, the Ministry of Construction, the Ministry Of Commerce People's Republic of China ("**MOFCOM**"), the NDRC, the PBOC, the SAIC and the State Administration of Foreign Exchange ("**SAFE**") jointly promulgated the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》), which states that: (i) an overseas entity or individual investing in real estate in the PRC other than for personal uses, shall apply for the establishment of a Foreign Invested Real Estate Enterprise (the "**FIREE**") in accordance with applicable PRC laws and shall only conduct operations within the authorised business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US$10 million or more shall not be less than 50% of its total investment amount, whereas for a FIREE with a total investment of less than US$10 million, the current provision on registered capital shall apply pursuant to the Tentative Regulations of the State Administration for Industry and Commerce on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (《關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) which was promulgated on 17 February 1987 by the SAIC; (iii) a newly established FIREE can first obtain an approval certificate and business license which are valid for one year. The official approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the competent commercial authorities. The investor shall submit a letter to the commercial authorities confirming that it will abide by the land grant contract, the construction land planning permit and the construction works planning

permit. In addition, the investor shall also submit the land use rights certificate, the evidence from the construction authorities confirming the alteration of archives and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital in a lump sum rather than by instalments and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and (viii) a branch or representative office established by a foreign investor in the PRC (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of either self-occupation or self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties limited to a certain floor area based on their living requirements in the PRC for self-residence purposes.

On 23 May 2007, the MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct Investment in Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which has the following requirements for approval and supervision of foreign investment in real estate:

(i) foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled; before obtaining approval for the setup of real estate entities with foreign investment, either both the land use rights certificates and housing ownership right certificates must be obtained, or contracts for obtaining land use rights or housing ownership rights must be entered into;

(ii) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;

(iii) acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons of domestic real estate enterprises;

(iv) parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;

(v) local approval authorities should file the approvals of establishment of foreign investment real estate entities with the MOFCOM for their records in a timely manner according to applicable laws;

(vi) foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not effect foreign exchange settlements regarding capital account items to those that fail to file with the MOFCOM or fail to pass the annual reviews; and

(vii) for establishment of real estate entities which are illegally approved by local authorities, (i) the MOFCOM should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such illegally established real estate entities.

On 18 June 2008, the MOFCOM issued the Notice Regarding the Registration of Foreign-Invested Real Estate Industry (《商務部關於做好外商投資房地產業備案工作的通知》) ("**Circular 23**"), which requires registrations to be preliminarily examined by the provincial branch of the MOFCOM before submitting to the MOFCOM for registration. Pursuant to Circular 23, the MOFCOM may randomly select registered foreign-invested real estate enterprises for examination. For enterprises which are found to be in violation of the existing regulations, their foreign currency registrations shall be cancelled and the foreign investment statistics of such enterprises shall be nullified by SAFE upon the notice from the MOFCOM.

On 24 June 2014, the MOFCOM and SAFE jointly issued the Notice Regarding the Improvement of Registration of Foreign-Invested Real Estate Industry (《關於改進外商投資房地產備案工作的通知》), which adopts an electronic registration system to simplify the registration process and emphasises post-registration governance.

(i) Qualifications of a Real Estate Developer

Under the Development Regulations, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects subject to the approved qualification registration.

In accordance with the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction on 29 March 2000, a real estate developer shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue a Provisional Qualification Certificate (《暫定資質證書》) to the eligible developer within 30 days of its receipt of the above report. The valid period of the Provisional Qualification Certificate is one year, and the real estate development authority can extend the period according to the developer's specific operating circumstances. However, the period of extension may not exceed two years. The real estate developer may apply for qualification classification by the real estate development authority within one month before expiry of the Provisional Qualification Certificate.

These certificates are subject to renewal on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates.

If any of the project companies is unable to meet the relevant qualification requirements, it will generally be given a grace period to rectify any noncompliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to rectify the non-compliance within the grace period could result in the revocation of the qualification certificate and the business licence of the relevant project company.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 square metres and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

(j) Development of a Real Estate Project

The Development Regulations provide that a real estate development project may be carried out having regard to the overall land use plan, annual construction land schedule, applicable municipal zoning plan and the annual property development scheme. Those

projects which should be approved by the planning control authorities in accordance with the relevant rules should also be reported and approved by the planning control authorities and be brought into the annual planning of the investment in fixed assets.

Under the Foreign Investment Industrial Guidance Catalogue (2015 Revised) (《外商投資產業指導目錄(2015修訂)》) jointly promulgated by the MOFCOM and the NDRC in March 2015, which came into effect on 10 April 2015, construction and operation of villas falls within the category of industries in which foreign investment is prohibited.

Pursuant to the Circular of the State Council on Promulgating the Catalogue of Investment Projects Subject to the Approval of the Government (2014 Edition) (《國務院關於發佈政府核准的投資項目目錄(2014年本)的通知》) issued by State Council on 31 October 2014, which came to effect on the same date, restricted real estate projects and other restricted projects with total investment (including capital increase) of less than US$100 million in the Catalogue for the Guidance of Foreign Investment Industries shall be subject to the approval of provincial-level governments.

Under the Interim Regulations on Grant and Transfer, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a grant price to the state as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a grant contract with the land user to provide for the grant of land use right. The land user shall pay the grant price as provided by the grant contract. After payment in full of the grant price, the land user shall register with the land administration authority and obtain a Land Use Rights Certificate which evidences the acquisition of land use rights.

The Urban Real Estate Law and the Development Regulations provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land use rights for a site intended for real estate development shall be obtained through grant.

Under the Regulations on the Grant of State-Owned Land Use Rights Through Competitive Bidding, Public Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》), which became effective from 1 July 2002, and was revised as Regulations on Granting State-Owned Construction Land Use Right through Tenders, Auction and Listing-for-Bidding (《招標拍賣掛牌出讓國有建設用地使用權規定》) on 28 September 2007 and which came into effect on 1 November 2007, and the Urban Real Estate Law of the People's Republic of China, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government authorities only through public tender, auction and listing-for-sale.

The Development Regulations also provide that a real estate developer shall record any major events which occur in the course of construction in the Real Estate Development Project Manual and periodically submit the same to the real estate development authority for its records.

Under the Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a real estate developer shall apply for a construction land planning permit (《建設用地規劃許可證》) from the urban municipal planning authority.

After obtaining a Planning Permit for Land Use, a real estate developer shall organise the necessary survey, planning and design work having regard to planning and design requirements. For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Law of the PRC on Urban and Rural Planning 《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of the National People's Congress in October 2007, and local statutes on municipal planning urban planning must be followed and a Planning Permit for Construction Projects must be obtained from the urban planning authority.

As a result, with effect from 1 November 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use rights certificate in order to commence development, which had been the practice in many Chinese cities. On 18 November 2009, five government authorities, including the Ministry of Finance and the Ministry of Land and Resources, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加強土地出讓收支管理的通知》) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the balance in installments within one year. Pursuant to the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (《國土資源部關於加強房地產用地供應和監管有關問題的通知》) issued by the PRC Ministry of Land and Resources on 8 March 2010, a real estate developer shall file written reports with the department of land and resources upon the commencement and completion of a project. If the real estate developer fails to commence or complete the construction within the period prescribed in the land grant contract, it shall report the reason for delay to the department of land and resources within 15 days before the end of the period. Any real estate developer which fails to file reports shall be prohibited from acquiring land in the PRC for at least one year.

(k) Real Estate Financing

In recent years, the PRC government promulgated various rules and policies to regulate real estate project financing, which may limit the foreign-owned real estate companies' ability to use bank loans to finance their property projects.

In June 2003, the PBOC issued the Circular on Further Strengthening the Management of Real Estate Credit Business (《關於進一步加強房地產信貸業務管理的通知》) to strengthen the enforcement of lending regulations in the property industry. These measures:

(i) prohibit PRC commercial banks from financing the payment of land premium;

(ii) restrict PRC commercial banks from financing the development of luxury residential properties and villas;

(iii) prohibit PRC commercial banks from granting project loans to property developers if the property developer has not obtain the relevant land use rights certificate, construction land use planning permit, construction planning permit or construction permit, or if the property developer 's internal funds for the project are less than 30% (which was later raised to 35% under Guidelines on Risk Management for Real Estate Loan Business of Commercial Banks《商業銀行房地產貸款風險管理指引》which was issued by CBRC On 30 August 2004) of the estimated total capital required for that project; and

prohibit property developers from financing property developments with loans obtained from banks in regions outside where the relevant property development is located.

On August 12, 2003, the State Council published the Notice on Facilitating Sustained and Healthy Development of the Real Estate Market (《國務院辦公廳關於促進房地產市場持續健康發展的通知》). This notice provides a series of measures to regulate the real estate market, including but not limited to enhancing the gathering and granting of public housing fund, perfecting the security of housing loans and strengthening the supervision of real estate loans. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

On 30 August 2004, the CBRC issued the (《商業銀行房地產貸款風險管理指引》). According to Guidelines on Risk Management for Real Estate Loans Business of Commercial Bank, no loans shall be granted to projects which have not obtained the requisite land use rights certificates, construction land planning permits, construction works planning permits and construction work commencement permits. The guideline also stipulated that bank loans shall only be extended to real estate developers that contributed not less than 35% of the total investment of the property development project with its own capital. In addition, the guideline provides that commercial banks shall set up strict approval systems for granting loans.

In September 2007, the PBOC and the CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的通知》) to further regulate the management of loans for commercial real estate. Under this notice, the PRC government has tightened its control over loans from commercial banks to property developers in order to prevent excessive credit granting by such banks. The notice emphasises that commercial banks shall not offer loans to property developers who have been found by state land resource and

construction authorities as hoarding land and buildings. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as security for loans. The notice implements measures that:

(i) prohibit commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land use rights certificate, construction land use planning permit, construction planning permit and construction permit;

(ii) prohibit commercial banks from lending to property developers solely for the payment of land premium; and

(iii) require commercial properties purchased with loans to have been completed and passed the relevant completion acceptance inspection.

On 29 July 2008, the PBOC and the CBRC jointly issued the Notice on Financially Promoting Land Saving and Efficient Use (《關於金融促進節約集約用地的通知》) which, among other things:

(i) restricts the granting of loans to property developers for the purpose of paying land premium;

(ii) provides that, for secured loans for land reserve, legal land use rights certificates shall be obtained, the loan mortgage shall not exceed 70% of the appraised value of the collateral, and the loan term shall be no more than two years in principle;

(iii) provides that for property developers who (1) delay the date of commencement of development specified in the land grant agreement for more than one year, (2) have not completed at least one-third of the intended project, or (3) have not invested at least one-fourth of the intended total project investment, loans shall be granted or extended to them prudently;

(iv) restricts the granting of loans to property developers whose land has been idle for more than two years; and

(v) prohibits taking idle land as security for loans.

In accordance with the Notice Regarding Adjusting Capital Ratio of Fixed Assets Investment Project (《關於調整固定資產投資項目資本金比例的通知》) promulgated by the State Council on 25 May 2009, the minimum capital ratio for real estate development projects (other than social and ordinary commercial housing projects) is 30%. When providing credit support and services, financial institutions shall carry out independent assessments to prevent financial risks and conduct comprehensive assessments and evaluations on the source of capital, returns on investment and credit risks with reference to the capital ratio requirements promulgated by the state and the actual status of the borrower and the project, and to independently decide whether to grant the loan and the specific amount and proportion of the loan.

On 7 January 2010, the General Office of the State Council issued the Circular on Promoting the Stable and Healthy Development of Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), pursuant to which, financial institutions are required to adhere strictly to requirements regarding internal capital ratios for real estate projects, and are prohibited from advancing funds to developers or projects that do not satisfy the requirements under the relevant credit policies in relation to real estate development.

On 29 September 2010, the PBOC and CBRC jointly issued the Notice on Issues Concerning the Improvement of Differential Housing Credit Policies (《關於完善差別化住房信貸政策有關問題的通知》), pursuant to which all commercial banks are required to suspend the granting of loans for new development projects and to suspend the extension of loans to any real estate developers which have left any land idle, changed the uses and nature of land, delayed the commencement of property projects or the completion of their construction, held back housing units for sale or violated any of laws or regulations.

Notice on Further Improving Housing Financial Services (《關於進一步做好住房金融服務工作的通知》), promulgated on 29 September 2014 by the PBOC and CBRC, provides that banking financial institutions shall, under the premise of risk control, reasonably allocate credit resources to support qualified real estate developers which operate with integrity in their property development, so as to support their reasonable financing needs for completing property projects with market prospects. The Notice also provides for the expansion of market-oriented financing channels, support for qualified real estate developers to issue debt financing instruments in the interbank bond market, and the active and steady implementation of the pilot scheme of REITs.

(l) Idle Land

According to the Measures on Disposing Idle Land (《閒置土地處置辦法》) enacted and enforced by the Ministry of Land and Resources on 28 April 1999 and revised on 1 June 2012, land can be classified as idle land under any of the following circumstances:

(i) development and construction of the state-owned land has not commenced within one year after the time limit prescribed in the land use rights grant contract or allocation decision; or

(ii) the development and construction of the state-owned idle land has commenced but the area of which development and construction has commenced is less than one-third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without any approval.

Where the delay of commencement of development is caused by the government or due to natural disasters, the land administrative authorities shall discuss with the state-owned construction land use rights holder to proceed with one of the following:

(i) extending the time limit for commencing development. The government and the relevant state-owned construction land use rights holder shall enter into a supplemental agreement and specify the revised time limit for commencing development and construction completion and the liability for breach of such agreement. The time limit for commencing development shall not be extended over one year from the date of the commencement of development specified on the supplemental agreement;

(ii) adjusting the land use and planning conditions. The relevant land use procedure shall be revisited and the land grant premium shall be reviewed, collected or returned according to the new land use and/or planning conditions;

(iii) arranging for temporary use for the idle land by the government. The relevant state-owned construction land use rights holder shall resume the development and construction of the idle land when the original project is ready for development and construction. The time limit of temporary use shall not exceed two years from the prescribed start date of temporary use;

(iv) requisition of the use right of the state-owned construction land by the government with compensation;

(v) exchanging the idle land for other land. When the land grant premium of the idle land has been paid up, the project funding has been completed and the idle status is caused by lawful amendment to the plan, the government can offer other state-owned construction land of the same value and use to the relevant state-owned construction land use rights holder in exchange. The state-owned construction land use rights holder and the government shall enter into a new land grant contract, which shall specify the land as land offered in exchange; and

(vi) other measures as determined by the relevant city-level and county-level land administrative authorities based on actual circumstances.

Save for the above item (iv), the time limit for commencing development shall be re-calculated according to the newly agreed or stipulated time.

On 8 September 2007, the Ministry of Land and Resources promulgated the Notice on Strengthening the Disposal of Idle Land (《關於加大閒置土地處置力度的通知》), which provides that such measures the surcharge on idle land shall be 20% of the land grant premium in principle, and where confiscation measures imposed by the law, such measures shall be strictly enforced.

On 3 January 2008, the State Council issued the Notice on Promoting Economical and Intensive Use of Land (《關於促進節約集約用地的通知》), which presses for the full and effective use of existing construction land and the preservation of farm land. The notice also stipulates that the amount of idle land fees for any land left idle for over one year but less than two years shall be equal to 20% of the land premium.

According to the Notice on Promoting Steady and Healthy Development of the Real Estate Market《關於促進房地產市場平穩健康發展的通知》) issued by the General Office of the State Council on 7 January 2010, the land resource authorities shall strengthen the investigation and handling of idle land.

On 26 January 2011, the State Council issued the Notice on Further Improvement of the Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), pursuant to which the qualification certificates and the sources of capital of real estate enterprises will be examined. If a real estate development enterprise fails to obtain a construction permit two years after the land is provided, the land will be confiscated and fines will be imposed accordingly, assuming the land was idle for a least one year.

(m) Demolition and Removal

Under the Regulations on Demolition as repealed by the Regulations on the Expropriation and Compensation of Houses on State-owned Land (《國有土地上房屋徵收與補償條例》) (the "**Expropriation Rules**") promulgated by the State Council, which came into effect on 21 January 2011, which superseded the Regulations for the Administration of Demolition and Removal of Urban Housing (《城市房屋拆遷管理條例》) promulgated on 13 June 2001, buildings on state-owned land can be expropriated for public interest reasons, and those owners of expropriated buildings which are located on state-owned land are entitled to fair indemnification. Where a building is expropriated according to law, the corresponding right to use the state-owned land shall be retracted at the same time. Compensation agreements regarding the compensation methods, compensation amount, payment terms and other relevant issues shall be entered into between those owners of expropriated buildings and the relevant PRC governmental authorities responsible for the expropriation. The compensation for the value of the expropriated building shall not be less than the market price of a property similar to the expropriated building on the date of announcement of the decision to expropriate the building. The value of the expropriated building shall be assessed by a qualified real estate price assessment institution according to the assessment measures for building expropriation. The compensation shall be paid prior to the relocation. In the event that no compensation agreement is reached within the time limit,the city or county government may make an administrative decision on the compensation according to the application of the relevant PRC governmental authorities responsible for house expropriation and publish a government notice within the area of the expropriation. No entity or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Property developers are prohibited from participating in relocation arrangements.

(n) Construction

Before commencing any construction work, the developer shall apply for a Permit for Erection of Construction Projects from the construction authority under the local government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the MOHURD on 25 June 2014 and became effective from 25 October 2014.

The Building Construction and Municipal Facilities Construction Tender Management Regulations《房屋建築和市政基礎設施工程施工招標投標管理辦法》) (the "**Tender Regulations**") promulgated in June 2001 state that a Tender Appraisal Committee should be set up for the appraisal of the tender for construction works for a project. According to the Tender Regulations, the Tender Appraisal Committee to be organised by the tenderee shall include representatives of the tenderee and relevant specialists selected by the tenderee from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to at least RMB2 million or the total investment of the project is at least RMB30 million, the developer is required to undertake a bidding process for the award of the construction contracts.

Pursuant to the Development Regulations and the Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》 promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China(the "**MOHURD**") in October 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收規定》) promulgated by the MOHURD on 2 December 2013, upon the completion of real estate development project, the developer shall arrange for the examination of the project and file the construction completion examination and acceptance report with the competent department of real estate development of the local people's government at or above county level, where the project is located within 15 days after the acceptance examination is completed.

(o) Warranty and Maintenance of Buildings

Under the Regulations on Quality Management of Construction Projects (《建設工程質量管理條例》) which was promulgated by the State Council on 30 January 2000, when a construction contractor hands over a construction completion examination and acceptance report, it should provide the Quality Guarantee, which should specify scope, term and responsibilities of the warranty as to the quality of the construction.

According to the Measures on the Warranty and Maintenance of Building Construction Projects (《房屋建築工程質量保修辦法》) which was promulgated by the Ministry of Construction on 30 June 2000, in normal circumstances, the warranty and maintenance period for different parts of a construction project should not be shorter than the following:

(i) the reasonable use as stipulated by the project design documents for the groundwork foundation and main body structure project;

(ii) five years for anti-leakage project of the roofs, toilets, rooms and the outer walls;

(iii) two heating periods/cooling periods for the heating and cooling system; and

(iv) two years warranty periods for electrical pipelines and wires, water supply and drainage pipelines, and equipment installation; and

(v) two years for decoration projects.

The warranty and maintenance period of other parts of the construction projects may be determined by agreement between the real estate developers and the builder.

(p) Leases of Buildings

Both the Interim Regulations on Grant and Transfer and the Real Estate Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas has been governed by the Measures for Administration of Leasing of Urban Building (《城市房屋租賃管理辦法》) prior to 1 February 2011 and is governed by the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the "**Leasing Measures**") since 1 February 2011. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights shall not exceed 20 years under the Contract Law of People's Republic of China (《中華人民共和國合同法》). The lease agreement becomes effective upon signing under the Contract Law of PRC; however, it must be registered with the relevant real estate administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. In addition, the Leasing Measures further strengthens the administration of leasing by stipulating more specific procedural rules for lease registration with local real estate administration authority.

On 30 July 2009, the Supreme People's Court issued the Interpretation of Certain Issues concerning the Application of Law for Judging Disputes over Urban Building Leasing Contracts (《關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解

釋》) which became effective on 1 September 2009 (the "**Leasing Interpretation**"). The Leasing Interpretation clarifies that courts should not uphold the claim that a building leasing contract is invalid due to the failure of registration. However, if parties agreed on such registration being a condition precedent to the effectiveness of building leasing contract, the agreement prevails, unless that one party has performed major obligations which were accepted by the counter party.

(q) Insurance

There are no nationwide mandatory requirements in the PRC laws, regulations or governmental rules requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC on 1 November 1997 (which came into effect on 1 March 1998) and amended on 22 April 2011, construction enterprises shall pay the premium for industrial injury insurance for employees to participate in such insurance. Construction enterprises are also encouraged to maintain accidental injury insurance and pay the relevant insurance premium for employees engaging in dangerous operations.

(r) Major Environmental Protection Requirements

In accordance with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) adopted by the Standing Committee of the NPC on 26 December 1989, which was amended on 24 April 2014 and came into effect on 1 January 2015, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people's governments of provinces, autonomous regions and municipalities directly under the central government may also set their own guidelines which are more stringent than the national standards for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate and submit the same to the competent department of environmental protection under the State Council for record.

The state implements a pollution discharge license management system. Companies with a pollution discharge license are permitted to discharge pollutants according to the requirements specified in the license; those that fail to obtain a pollution discharge license are not permitted to discharge pollutants. In preparing for the relevant development and utilisation plans and the construction of projects that would affect the environment, an environmental impact assessment shall be conducted in accordance with the law. Any development and utilisation plan for which an environmental impact assessment has not been conducted in accordance with the law may not be implemented; any construction project for which an environmental impact assessment has not been conducted in accordance with the law may not commence construction.

A company or enterprise which causes environmental pollution and discharges other pollutants which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste

gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company.

Key entities that discharge pollutants shall install and use monitoring equipment in accordance with the relevant state provisions and monitoring standards, ensure the normal operation of such monitoring equipment, and keep the original monitoring record. These companies and entities shall also truthfully disclose the names of their main pollutants, how such pollutants are discharged, the emission concentration, total emissions, any excessive emissions as well as the construction and operation of pollution prevention and control facilities, and be subject to social supervision. If they do not disclose or untruthfully disclose environmental information in violation of the law, the competent departments of environmental protection at county-level or above shall order them to disclose such information, impose fines and publicise the relevant violation. In respect of construction projects for which environmental impact reports are required by the law, the developer shall, when preparing the reports, disclose and explain to the public that may be affected and solicit their opinions.

Where an environmental protection tax is levied, no fees for pollutant discharge shall be imposed. If a company or enterprise illegally discharges pollutants, it may be fined and ordered to rectify the matter. If a company or enterprise discharges pollutants in excess of the relevant pollutant discharge standards or the relevant total emission control indicators for key pollutants, the competent departments of environmental protection at county-level or above may order them to take measures such as restricting production and suspending production for system improvement; in serious cases, reports shall be made to the people's government with approval authority for approval and the relevant entity may be ordered to suspend production and be shut down.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated by the State Environmental Protection Administration of China on 27 December 2001, each construction project completed is subject to the inspection of the competent environmental protection administrative authorities, and only after the construction project has passed the inspection and acquired the acceptance approval, can it be put into use.

(s) Sale of Commodity Properties

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) (the "**Sale Measures**") promulgated by the Ministry of Construction on 4 April 2001, which became effective on 1 June 2001, the sale of commodity properties can include both sales prior to and after the completion of the properties.

Permit for pre-sale of commodity properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on 15 November 1994, as amended on 15 August 2001 and 20 July 2004, respectively (the "**Pre-sale Measures**").

The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sale permit. The pre-sale of commodity properties is required to meet the following conditions:

(i) the relevant land grant premium having been fully paid up and a land use rights certificate having been obtained;

(ii) a construction work planning permit and a construction work commencement permit having been obtained; and

(iii) 25% or more of the total investment in the project having been invested and the progress of construction and the completion and delivery dates having been properly determined.

Supervision on proceeds of pre-sale of commodity properties

Under the Pre-sale Measures and the Urban Real Estate Law, the proceeds from pre-sale of commodity buildings may only be used to fund the property development costs of the relevant projects.

On 13 April 2010, the MOHURD promulgated the Notice on Further Strengthening the Supervision and Administration of Real Estate Market and Improving the System for Pre-sale of Commodity Housing (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》), which stipulates, among other things, that:

(i) for commodity housing projects which have not obtained pre-sale permits, real estate developers shall not conduct any pre-sale activities, or collect fees from purchasers in the form of a deposit or reservation fee for accepting a subscription or reservation, offering priority or distributing VIP cards, and shall not engage in any sales exhibition. For those which have obtained pre-sale permits, real estate developers shall announce the properties permitted to be sold all at once and the price of each property within ten days, and sell the properties strictly at the prices reported and posted. Real estate developers shall not sell the properties that are reserved for themselves to any third parties prior to the initial title registration, or

pre-sell the commodity properties with an agreement to refund the purchase price or to lease back the property, or engage in any false transactions;

(ii) a pre-sale permit shall cover at least a building, and shall not be granted by floor or unit;

(iii) real estate developers shall sell commodity housing according to the pre-sales plans. Major alteration to the pre-sale plans shall be reported to the competent authority and be publicly announced;

(iv) the names of the actual purchasers shall be strictly required in the sale of commodity housing, and any changes to the names of the purchasers without due approval are not allowed after subscription. A pre-sale shall be rescinded if the purchaser does not enter into a pre-sale contract within the time limit after subscription, and the relevant property may be sold to the public upon rescission; and

(v) the mechanism for the supervision of pre-sale proceeds shall be improved. For areas where a system for supervision of pre-sale proceeds has been set up, measures shall be taken to promote the system. For areas where such system has not been set up, regulations relating to the supervision of pre-sale proceeds shall be put in place as soon as possible. All the pre-sale proceeds of commodity properties shall be put into custodial accounts, which shall be supervised and managed by relevant regulatory authorities in order to ensure the proceeds are used only for the construction of the relevant commodity properties. Pre-sale proceeds may be allocated according to the construction progress, provided that adequate funds have been reserved for completion and delivery of the relevant project.

Sales after completion of commodity properties

Under the Sale Measures, commodity properties may be put to sale post-completion only if the following pre-conditions have been satisfied:

(i) the real estate developer offering to sell the properties post-completion shall have a business license and a real estate developer qualification certificate;

(ii) the developer has obtained a land use rights certificate or other land use approval documents;

(iii) the developer has obtained the construction project planning permit and the construction work commencement permits;

(iv) the construction of the commodity properties has been completed, inspected and accepted as qualified;

(v) the relocation of the original residents at the properties has been settled;

(vi) the supply of water, electricity, heating, gas and communication and other essential ancillary facilities and public facilities have been made ready for use, or the construction schedule and delivery date of such facilities have been specified; and

(vii) the property management plan has been completed.

The Provisions on Sale of Commodity Properties at Clearly Marked Price (《商品房銷售明碼標價規定》) were promulgated by the NDRC on 16 March 2011 and became effective on 1 May 2011. According to the provisions, real estate developers or real estate agencies are required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of the commodity properties to the public. With respect to real estate development projects that have received property pre-sale permits or have completed the filing procedures for the sale of completed properties, real estate operators shall announce the commodity properties available for sale all at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose the information and to disclose the actual transaction prices. Real estate operators cannot sell commodity properties beyond the explicitly marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price-marking, nor engage in fraud by employing false or misleading price-marking methods.

On 26 February 2013, the General Office of the State Council issued the Notice on Continuing the Regulation of Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) which is intended to cool down the property market and to emphasise the government's determination to strictly enforce the relevant regulatory and macro-economic measures, which included, among other things, (i) home purchase restrictions, (ii) increased down payment requirements for the purchase of second residential properties, (iii) suspension of mortgage financing for purchase of third or more residential properties; and (iv) levy of 20% individual income tax on the gain from the sale of properties.

(t) Housing loans to individual buyers

On 24 May 2006, the State Council, State Administration of Taxation, Ministry of Finance, Ministry of Land and Resources, Ministry of Supervision, National Development and Reform Commission, the CBRC, The People's Bank of China and Ministry of Construction jointly promulgated a Notice on Distributing the Opinions of the Departments Including the Ministry of Construction on Adjusting the Housing Supply Structure and Stabilizing the Housing Price (《國務院辦公廳關於轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》). In accordance with the Notice, in order to suppress the excessive increase of housing price, from 1 June 2006, the proportion of first installment of individual housing mortgage loans shall be no lower than 30% of the total price. However, considering the demands for residential housing by medium-and-low-

income people, the purchase of housing for personal uses with set floor area no more than 90 square meters shall still subject to the provision of which the first installment shall be no less than 20% of the total price.

The Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的通知》), promulgated on 27 September 2007, provides that the down payment requirement applicable to a purchaser acquiring the second residential property shall not be less than 40% of the total price and the interests rate on these loans shall not be less than 1.1 times of the benchmark interest rate of the same kind and same term published by the PBOC. Under the Complementary Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的補充通知》), promulgated on 5 December 2007, the frequency of the mortgage loans shall be counted based on the debtor's family other than the debtor him/herself, which means, if a family member (including the debtor him/herself, his/her spouse and his/her juvenile child) has purchased a house with the loans, any member of the family within the above range who then purchases another house will be regarded as a second-time house buyer.

The Notice on Promoting the Steady and Healthy Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》) issued on 7 January 2010 provides that for the families (including the debtors, their spouses and their juvenile children) who have bought a residential house with loans and are applying for loans to purchase the second residential house or more residential houses, the down payments of the loans shall be not less than 40% of the total price and the interests rates of the loan rates shall be strictly commensurate with the credit risks.

On 17 April 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), pursuant to which, a stricter differential housing credit policy shall be enforced. It provides that, among other things, (i) for a family member who is a first-time house buyer (including the debtor himself/herself, his/her spouse and his/her juvenile child, similarly hereinafter) of the apartment with a GFA more than 90 sq.m., a down payment of no less than 30% of the total price shall be paid; (ii) for a family who applies loans for its second house, the minimum down payment requirement is raised to at least 50% from 40% and also provides that the applicable mortgage interest rate must be at least 1.1 times of that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC; and (iii) for those who purchase three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks may suspend housing loans to buyers who have purchased their third or more houses in places where house prices rise excessively rapidly and high and housing supply is insufficient.

On 26 May 2010, the MOHURD, the PBOC and the CBRC jointly promulgated Circular on the Determination Criteria of Second Residential Property in Individual Commercial Housing Loan Applications (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》). The circular lays down the determining criteria of a property being identified as an individual's second residential property in individual commercial housing

loan applications. The circular provides that the number of residential properties owned by an individual loan applicant shall be determined with reference to the number of completed residential properties actually owned by the members of the family (including the individual loan applicants, their spouses and juvenile children) of the individual who plans to purchase another residential property with the use of individual commercial housing loans. The application or authorisation of any individual commercial housing loan by an individual loan applicant shall be subject to checks on the loan applicants' residential property registry records through the property registration information system and the issuance of written results of such checks by the urban real estate competent authorities. The lender shall implement a differential credit policy for the individual loan applicants' second (or above) residential property in accordance with the number of residential properties owned by such applicants. The policy in this circular is also applicable to non-residents who can provide local tax clearance certificates or local social insurance payment certificates for one year or above.

The Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies《關於完善差別化住房信貸政策有關問題的通知》), issued on 29 September 2010, raises the minimum down payment to 30% of the total purchase price for all first-time house buyers with mortgage loans; and requires commercial banks in China to suspend mortgage loans to customers for their third or more residential property purchase, and non-local residents who are unable to provide documentation certifying payment of local tax or social security for longer than a one-year period.

On 2 November 2010, the MOHURD, the Ministry of Finance, the PBOC and the CBRC jointly promulgated the Circular on Regulations of Policies Concerning Individual Housing Provident Fund Loans (《關於規範住房公積金個人住房貸款政策有關問題的通知》) and regulations in relation to Individual Housing Provident Fund Loans. The circular provides that Individual Housing Provident Fund Loans shall only be used in purchasing, building, re-building and overhauling ordinary and privately used residential properties of labourers with the aim of meeting their basic needs for housing. The use of Individual Housing Provident Fund Loans to carry out speculative purchase of properties is strictly prohibited. To purchase the first residential property for private use with Individual Housing Provident Fund Loans, the down payment of the purchase shall not be less than 20% of the total purchase price for a property with a GFA less than 90 sq.m. (inclusive). For a property with a GFA more than 90 sq.m., the down payment shall not be less than 30% of the total purchase price. For the purchase of the second residential property, Individual Housing Provident Fund Loans are only available to labourers whose families' per-capita gross floor area is lower than the local average, and the loans could only be used to purchase ordinary and privately used residential properties that help improve the living conditions of the labourers. The down payment for the purchase of the second residential property shall not be less than 50% of the total purchase price, and the interest rate of the loan shall not be less than 1.1 times of the interest rate for Individual Housing Provident Fund Loans in relation to the purchase of the first residential property during the same period. Individual Housing Provident Fund Loans are not available to labourers and their families for purchasing the third (or more) residential property.

Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services (《關於進一步做好住房金融服務工作的通知》), promulgated on 29 September 2014 by the PBOC and CBRC, provides that as regards a household that borrows a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio of the loan shall be 30%, and the floor of the loan interest rate shall be 0.7 times the benchmark lending rate. Banking financial institutions shall determine the specifics in this regard. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property. In cities where the control measures on property purchase have been cancelled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may, according to the local urbanisation development planning, disburse housing loans to non-local residents who satisfy policy conditions.

Pursuant to the circular of the People's Bank of China, Ministry of Housing and Urban-rural Development and China Banking Regulatory Commission on Issues concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》), issued on 30 March 2015, for a family who buys on loan its first ordinary house for self-use, and has not paid up the loan of its first house and applies again to buy on commercial loans a second ordinary commodity house for the purpose of improving living conditions, the down payment of the loans shall be not less than 40%. Banking financial institutions shall decide on the percentage of down payment and interest rate by prudently considering the borrower's solvency and credit status.

If a family member (the borrower and the borrower's spouse and their juvenile children) use personal housing provident fund loan for the purchase of the first ordinary self-use house, the down-payment proportion shall be no lower than 20%. For the families who have paid up the housing provident fund loan of its first house and apply to buy with housing provident fund loan for a second ordinary commodity house for the purpose of improving living conditions, the down payment ratio of the loans shall be not less than 30%.

Pursuant to the Opinion of Hunan Provincial Housing and Urban-Rural Development Office on Promoting the Steady and Healthy Development of the Real Estate Market in Hunan Province (《湖南省住房和城鄉建設廳關於促進全省房地產市場平穩健康發展的意見》), which was promulgated by the Hunan Provincial Housing and Urban-Rural Development Office on 8 August 2014, the depositor purchased ordinary and privately used residential properties at any other place within the Hunan province limits except the depositing place, can apply for housing provident fund loans to the local housing provident fund management centre. Renting a residential property for self-dwelling

without owning any residential property, can withdraw housing provident funds for paying rent, subject to the provision of which that monthly withdrawal amount shall be not more than the individual monthly payment amount of housing provident funds.

(u) Measures on Stabilising Housing Prices

On 26 March 2005, the General Office of the State Council promulgated the Notice on Effectively Stabilizing House Prices (《關於切實穩定住房價格的通知》) to restrain the excessive increase of housing prices and to promote the sound development of the real estate market. The notice provides that housing prices should be stabilised and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council, including the Ministry of Construction, issued the Opinion on Stabilising Housing Prices (《關於做好穩定住房價格工作的意見》) on 30 April 2005, which was approved by the State Council pursuant to the Circular of the General Office of the State Council on Distributing the Opinions of the Ministry of Construction and Other Departments on Stabilizing Housing Price (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) on 9 May 2005. The opinion states, among other things, that

(i) local governments should focus on ensuring the supply of low-to-medium-end ordinary residential houses while controlling the construction of low density and high-end residential houses;

(ii) to curb any speculation in the real estate market, the business tax would be levied from 1 June 2005 on the total revenue arising from any transfer by individuals of residential houses within two years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses by individuals after two or more years from their initial purchase thereof; and

(iii) the real estate registration department will no longer register the transfer of pre-sold houses before the buyers obtain the relevant property ownership certificates.

On 24 May 2006, the General Office of the State Council promulgated the Notice on Adjusting the Housing Structure and Stabilising Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》).

The notice provides for the following broad directives to, among other things:

(i) encourage mass-market residential developments and curb the development of high-end residential properties;

(ii) enforce the collection of the 5% business tax on property sales (business taxes shall be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties);

(iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with a GFA of less than 90 sq.m., the owners are still able to apply for a housing mortgage up to an amount representing 80% of the total property price);

(iv) halt land supply for villa projects and restrict land supply for high-end and low-density residential projects;

(v) moderate the progress and scale of demolition of old properties for re-development;

(vi) require local governments to ensure that units of less than 90 sq.m. in size shall account for over 70% of the total development and construction area (with any exceptions requiring the approval of the Ministry of Construction); and

(vii) prevent banks from providing loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project.

On 6 July 2006, the Ministry of Construction promulgated certain opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly constructed Residential Units (《關於落實新建住房結構比例要求的若干意見》) (the "**New Opinions**"). The New Opinions stipulate that residential units with a GFA of less than 90 sq.m. shall account for over 70% of the total area of residential units which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government shall have the authority to determine the configuration of newly constructed property. Pursuant to the Opinions on Solving Housing Shortage for Urban Low-income Households (《關於解決城市低收入家庭住房困難的若干意見》) promulgated by the State Council on 7 August 2007, each local authority shall adjust the housing supply structure in order to:

(i) implement the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Ministries on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》);

(ii) focus on the development of low to medium-priced, and small to medium-sized commodity housing; and

(iii) increase the supply of housing.

The approval percentage of new housing construction (with a GFA of less than 90 sq.m.) shall be more than 70% of the total housing development area. The annual supply of low rental housing construction land, economy-sized housing and low to medium-priced and small to medium-sized commodity housing shall not be less than 70% of the total residential housing land. Pursuant to the Notice on Implementation of the Opinions of the State Council on Solving Housing Shortage for Urban Low-income Households to Further Adjust Land Supply (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難

的若干意見〉進一步加強土地供應調控的通知》) promulgated by Ministry of Land and Resources on 30 September 2007 and amended on 3 December 2010, the administration department of the Ministry of Land and Resources at both municipality and county levels shall give priority to arranging land supply for low rental housing, economy-sized housing and low to medium-priced and small to medium-sized commodity housing. The annual supply volume shall not be less than 70% of total residential land supply.

On 7 January 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which provides that, among other things, land resource authorities shall strengthen supervision of the compliance of the contracts and strictly collect land premiums according to land grant contracts, and shall:

(i) effectively increase the supply of social welfare housing and ordinary commodity residential properties, in particular, low to medium-priced and small to medium-sized ordinary commodity residential properties;

(ii) direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market;

(iii) strengthen credit risk management for real estate projects and market supervision;

(iv) speed up the construction of social welfare housing projects; and

(v) setting or clarifying the responsibilities of provincial and local governments.

On 8 March 2010, the Ministry of Land and Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property (《關於加強房地產用地供應和監管有關問題的通知》). The notice, among other things, provides that:

(i) the land and resources bureau at city and county levels shall ensure that the land supply for government-subsidised housing, slum-dwellers reconstruction and small to medium-sized commercial housing units for self-housing shall not be less than 70% of the total residential land supply and strictly control the land supply for large-sized apartments and restrict the land supply for villas;

(ii) land resource authorities shall prohibit property developers who owe land grant premium payments, possess idle land, engage in land speculation and price manipulation, conduct project development exceeding approved scope or fail to conform with the land use rights grant contract from land bidding transactions within a set period of time; and

(iii) the land use rights grant contract shall be executed within ten days after a grant of land has been mutually agreed and a down payment of 50% of the land grant premium shall be paid within one month from the execution of the land use rights grant contract with the remaining amount paid no later than one year after the execution of the land use rights grant contract.

On 21 September 2010, the Ministry of Land and Resources and the MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development《關於進一步加強房地產用地和建設管理調控的通知》), which stipulates, among other things, that:

(i) at least 70% of land designated for construction of urban housing shall be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing shall be increased;

(ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (i) illegal transfer of land use rights; (ii) failure to commence required construction within one year from the date of delivery of land under land grant contracts due to such developers' own reasons; (iii) non-compliance with the land development requirements specified in land grant contracts; and (iv) crimes such as obtaining land by forging official documents and illegal land speculation;

(iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement;

(iv) development and construction of projects of low-density and large-sized housing shall be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects shall be more than one; and

(v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

On 19 December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Estate Land and Promotion of the Healthy Development of Land Markets (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》), which, among other things, provides that (i) cities and counties that have less than 70% of their land supply designated for affordable housing, redevelopment housing for shanty towns or small to medium-sized residential units shall not provide land for large-sized and high-end housing until the end of 2010; (ii) local land and resources authorities shall file a transaction report with the Ministry of Land and Resources and provincial land and resources authorities, respectively, in relation to land sold via competitive bidding, auction and listing-for-sale with a 50% or more premium; and (iii) for land designated for affordable housing but used for the development of commodity houses, any illegal income derived therefrom will be confiscated and the relevant land use rights will be revoked. In addition, unapproved changes to the plot ratio are strictly prohibited.

On 26 January 2011, the General Office of the State Council issued the Notice on Issues Concerning Further Improvement of the Control on Real Estate Market (《進一步做好房地產市場調控工作有關問題的通知》). This notice, among other things, provides that:

(i) individuals selling housing properties within five years of purchase shall be charged business taxes on the full amount of sale price, whether ordinary or non-ordinary;

(ii) the minimum down payment for second home purchases increases from 50% to 60%;

(iii) a property developer, who fails to obtain the construction work commencement permit and fails to commence development within two years from the commencement date stipulated in the land grant contract, shall forfeit the land use rights and the PRC government shall impose an idle land fee of up to 20% of the land premium on such property developer; and

(iv) municipalities directly under the central government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of homes local residents can purchase in a specific period.

In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly built houses and second-hand houses). Sales of properties to (i) local resident families who own two houses or more, (ii) non-local resident families who own one house or more, and (iii) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period shall be suspended in local administrative regions.

On 26 February 2013, the General Office of the State Council issued the Notice on Continuity to Well Manage the Control Work of the Real Estate Market (《關於繼續做好房產地市場調控工作的通知》), which stipulates the following:

(i) improving the mechanism of work responsibility of stability of the real estate price, measures including requiring the relevant departments under the State Council to strengthen the supervision and inspection of the stability of prices. The provincial people's government shall conduct interviews if local governments in its jurisdiction fail to implement housing purchase restrictions;

(ii) continuing to suppress investment purchasers, measures including continuing to implement and improve the purchase restriction measures; using the effect of tax to adjust the real estate price, the tax bureau and housing construction departments shall closely coordinate and shall levy individual income tax at a tax rate of 20% according to the regulations;

(iii) increasing the land supply for residential commercial properties, measures including that the total land supply for residential land in 2013 in principle shall be no less than the average land supply in the past five years;

(iv) accelerating the planning and construction of affordable housing project, fully implementing the task of building 4.7 million units, constructing 6.3 million new sets of affordable housing projects in 2013;

(v) improving the market supervision and anticipation management;

(vi) strengthening the administration on the credibility of real estate development enterprises;

(vii) studying the establishment of shared credit management system among housing and urban construction, development and reform, land and natural resources, finance, taxation, industry and commerce, statistics and other departmental; and

(viii) timely recording and releasing the illegal behavior of the real estate enterprises.

For enterprises setting up extraordinarily high prices for the pre-sales commodity properties and accepting no price guidance from the relevant urban housing construction authorities, or having not established pre-sales proceeds supervision mechanism for commodity properties projects, pre-sales permit shall not be issued. If real estate enterprises have idle land or conduct activities such as land speculation, keeping the properties off the market, driving up prices and other illegal acts, the relevant departments shall establish a linkage mechanism and intensify the relevant punishments. The Land and Resources Department shall prohibit the enterprise to participate in land bidding, the financial institutions shall not grant new loans for development projects, the securities regulatory authorities shall suspend the approval of its listing, refinancing or significant asset restructuring and the banking supervision departments shall prohibit the enterprise from financing through trust scheme.

(v) Licensing Requirements for Hotel

Operations Security Control Regulations

According to the Measures for the Control of Security in the Hotel Industry (《旅館業治安管理辦法》) (the "**Hotel Security Control Measures**"), promulgated by the Ministry of Public Security on 10 November 1987 and amended on 20 January 2006 and 8 January 2011, respectively,and the Decisions of the State Council to Implement Administrative Licenses on Items Necessarily to be Retained for Administrative Examination (《國務院對確需保留的行政審批項目設定行政許可的決定》), promulgated by the State Council on 29 June 2004 and amended on 29 January 2009 and amended on 24 February 2015, respectively,an application to operate a hotel in the PRC must be examined and approved by a local public security authority and a special industry license must be obtained from the local public security authority prior to the operations of the hotel. The Hotel Security Control Measures further imposes certain security control obligations on the hotel operators,

such as the obligation to examine the identification cards of customers, the obligation to keep customers' deposited properties safe and the obligation to report to the public security authorities of any criminal activities.

Fire Control Regulations

According to the Provisions on the Administration of Fire Safety of State Organs, Organizations, Enterprises and Institutions (《機關、團體、企業、事業單位消防安全管理規定》) (the "**Fire Safety Provisions**"), promulgated by the Ministry of Public Security on 14 November 2001, hotels are classified as one of the key administrative units for fire control purposes. On 1 May 2009, the Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), which was promulgated by the Standing Committee of National People's Congress on 29 April 1998 and amended on 28 October 2008, came into effect. The Fire Prevention Law, together with the Fire Safety Provisions, require public gathering places, like hotels, to pass a fire prevention safety inspection conducted by the local public security fire-fighting department before the commencement of business operations.

Administration of Sanitation in Public Places

Pursuant to the Regulations on the Sanitary Administration of Public Places (《公共場所衛生管理條例》) (the "**Sanitary Administration Regulations**") promulgated by the State Council on 1 April 1987, hotels are listed as one of the public places which are under special sanitary supervision and administration. The Sanitary Administration Regulations further requires that hotels must obtain a public place sanitation permit from the Ministry of Health or its local counterparts for operation and the public place sanitation permit must be reviewed in every two years. According to the Implementing Rules of Regulations on the Sanitary Administration of the Public Places (《公共場所衛生管理條例實施細則》), which was promulgated by the Ministry of Health on 10 March 2011, the hotel staff must conduct a health check at least once a year and obtain a health certificate before giving them job assignments.

Administration of Food Sanitation

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was promulgated on 28 February 2009 and became effective as of 1 June 2009, and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》), which was promulgated and became effective as of 20 July 2009, hotels engaged in food and beverage operations must obtain a food catering service permit (餐飲服務許可證). According to the Measures for the Administration of Permits for Operating Food and Beverage Services (《餐飲服務許可管理辦法》), which was promulgated by the Ministry of Health on 4 March 2010 and became effective as of 1 May 2010, any food sanitation licenses (食品衛生許可證) obtained prior to 1 May 2010 will be replaced by the food catering service permit once the food sanitation license expires.

Hotels must be in compliance with the relevant sanitary standards and requirements relating to food sourcing and storage, food processing, restaurant services as well as take-away services.

Environmental Protection

According to the Promotion of Cleaner Production Law of the PRC (《中華人民共和國清潔生產促進法》), which was promulgated on 29 June 2002 and amended on 29 February 2012, hotels shall use technologies and equipment that conserve energy, water and serve other environmental protection purposes, and refrain from or reduce using consumer goods which may lead to the waste of resources and pollution of the environment.

On 22 January 2015, Ministry of Housing and Urban-rural Development issued the Measures for the Administration of Licenses for Urban Sewage Discharge into Drainage Networks(《城鎮污水排入排水管網許可管理辦法》). According to such measures, any drainage entity, including entities who drain sewage into the urban drainage facilities due to engaging in lodging, catering and entertainment business, shall apply for a drainage license (排水許可證) to drain sewage into the urban drainage facilities from local drainage administrative authorities.

(w) Property Management Enterprises

Enterprises that engage in property management shall establish a qualification management system pursuant to relevant provisions under the Property Management Regulations (《物業管理條例》) (implemented on 1 September 2003 and revised on 26 August 2007). Pursuant to relevant provisions under the Measures on Property Service Enterprises Qualification Management (《物業服務企業資質管理辦法》) which was implemented on 1 May 2004 and revised on 26 November 2007, a newly-established property service enterprise shall apply for the qualification by submitting the relevant documents to competent property departments of the people's government of the municipalities directly under the central government and cities with special development zones where its business has been registered within 30 days after the receipt of its business license. Qualification examination and legal authority shall approve and issue the qualification certificate of corresponding levels based on the actual conditions of enterprises.

Pursuant to the Measures on Property Service Enterprises Qualification Management (《物業服務企業資質管理辦法》), qualification of property service enterprises shall be classified into Level I, Level II and Level III in accordance with their registered capital, the professional personnel they employ, the scale and types of the property service they provide, and their performance and operating results, etc. Newly established property service enterprises shall be classified into the lowest level with a term of validity of one year. A fine less than RMB20,000 may be imposed on any property service company which fails to obtain or renew a qualification certificate, and any profit generated during the period in which it was not in possession of a valid qualification certificate for property management enterprise (物業服務企業資質證書) may be disgorged. In addition, any property owners suffering any loss as a result of such breach are entitled to claim

against the relevant property service company for compensation. In accordance with the Reply on Relevant Issues Concerning Performing the Measures on Property Service Enterprises Qualification Management (《關於執行〈物業管理企業資質管理辦法〉有關問題的覆函》), in the event that the newly established property service enterprises fail to provide property service within one year, such qualification shall become invalid. Otherwise, the property service enterprises may apply for assessment for higher level qualifications.

The construction department of the State Council is responsible for the issue and management of Level I qualification certificates. Construction departments under the people's government of provinces and autonomous regions are responsible for the issue and management of Level II qualification certificates. Real estate construction departments under the people's government of municipalities directly under the central government are responsible for the issue and management of Level II and Level III qualification certificates, which are subject to the guidance and supervision of the construction departments of the State Council. Real estate construction departments of the cities with special development zones are responsible for the issue and management of Level III qualification certificates, which are subject to the guidance and supervision of the construction departments of the State Council.

Property service enterprises with Level I qualification are allowed to undertake different kinds of property management projects. Property service enterprises with Level II qualification are allowed to undertake residential and non-residential property management projects of not more than 300,000 sq.m. and 80,000 sq.m. respectively. Property service enterprises with Level III qualification are allowed to undertake residential and non-residential property management projects of not more than 200,000 sq.m. and 50,000 sq.m. respectively.

Pursuant to the Catalogues of Industries for Guiding Foreign Investment (Amended in 2015) (《外商投資產業指導目錄》(2015修訂)), property management services fall into the categories which foreign investment is permitted.

In accordance with the relevant regulations of Property Rights Law of the PRC (《中華人民共和國物權法》) and Property Management Regulations (《物業管理條例》) selection and engagement of property service enterprises require the consent of not less than half of the total number of owners and the gross floor area in the exclusive possession of such owners shall not be less than half of the total gross floor area of the property. In the event that the property service enterprise has been selected by the construction department prior to the engagement of property service enterprise by the owners at the meeting of owners, a preliminary property management contract shall be signed.

(x) Foreign Exchange Controls

The lawful currency of the PRC is the RMB, which is currently not freely convertible into foreign exchange. State Administration of Foreign Exchange (國家外匯管理局) (the "**SAFE**"), under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 1 January 1994, the former dual exchange rate system for RMB was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of RMB. Pursuant to such systems, the PBOC sets and publishes the daily RMB-U.S. Dollar exchange rate. Such exchange rate is determined with reference to the transaction price for RMB-U.S. Dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announces the exchange rates of RMB against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated Regulations for the Control of Foreign Exchange (《外匯管理條例》) ("**Control of Foreign Exchange Regulations**") which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account-items and capital account-items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997 and 5 August 2008, respectively. Such amendments affirmed that the state shall not restrict international current account payments and transfers.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Provisions on the Administration of Foreign Exchange Accounts (《境內外匯賬戶管理規定》) on 7 October 1997, which permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (《關於停辦外匯調劑業務的通知》) pursuant to which and with effect from 1 December 1998, all foreign exchange business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the

system for the settlement and sale of foreign exchange applicable to banks. On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The RMB exchange rate is no longer pegged to the U.S. Dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. Dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the RMB on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) once were required to sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks. Pursuant to the Circular of the State Administration of Foreign Exchange on Retaining Foreign Exchange Income under Current Account by Domestic Entities (《關於境內機構自行保留經常項目外匯收入的通知》) issued by SAFE on 12 August 2007, domestic entities can retain foreign exchange income under current account in light of its operation needs.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

The SAFE issued Administrative Measures for Foreign Debt Registration(《外債登記管理辦法》) and Operational Guidelines on Administrative for Foreign Debt Registration (《外債登記管理操作指引》) in April 2013 and amended in May 2015. The above mentioned regulations stipulates, among other things, that (i)SAFE will not process foreign debt signing registrations for foreign-invested real estate companies who obtained authorization certificates from and registered with MOFCOM on or after 1 June 2007; (ii) only FIREEs established before 1 June 2007 could borrow foreign debt within the balance of its total investment amount and the registered capital; and (iii) if the investor(s) FIREEs have not obtained the State-owned Land Use Right Certificate, or the capital of the project is less than 35% of the total investment amount, such companies could not borrow foreign debt.

Pursuant to the Notice on Relevant Business Operations Issues on the Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (''Circular No.142'') promulgated by SAFE in August 2008 which was aimed at strengthening the administration of payment and settlement of foreign exchange capital of foreign-invested enterprises, unless otherwise permitted by the PRC laws or regulations, RMB capital converted from foreign exchange capital contributions could only be applied to the activities within the approved business scope of such foreign-invested enterprise and could not be used for domestic equity investment or acquisition. As a result of the Circular No.142 and its supplementary notice, the Restructured Group might encounter difficulties in increasing the capital contribution to its project companies and subsequently converting such capital contribution into RMB for equity investment or acquisition in the PRC.

However, since 31 March 2015, the aforementioned circular has been replaced. In order to better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises(《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) was promulgated by SAFE on 30 March 2015 and became effective on 1 June 2015. According to the circular herein, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement. The discretional settlement of the foreign exchange capital of foreign-invested enterprises refers to that the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises.

Meanwhile, except for transfer of equity investment in the original currency, foreign-invested enterprises with investment as the primary business (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly settle the foreign exchange capital or transfer the capital in RMB in the Account Pending for Foreign Exchange Settlement Payment to the account of invested enterprises based on the actual investment scale on the premise that the domestic investment project is authentic and compliant. General foreign-invested enterprises other than the aforementioned enterprises shall be governed by the prevailing provisions on domestic reinvestment if they make domestic equity investment with the capital transfer in the original currency. For domestic equity investment made with the capital obtained from foreign exchange settlement, the invested enterprises first shall handle the registration of domestic reinvestment at the foreign exchange bureaus (banks) at the places of registration and open the corresponding Account Pending for Foreign Exchange Settlement Payment, and then the enterprises making the investment shall transfer the capital in RMB obtained from foreign exchange settlement based on the actual investment scale to the Account Pending for Foreign Exchange Settlement Payment opened by the invested enterprises.

On 13 February 2015, the SAFE promulgated the Notice on Further Streamlining and Improving the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which became effective on 1 June 2015. The Notice cancelled the review of the foreign exchange registration in direct investment projects by the branches of SAFE and foreign-invested enterprises could directly apply to banks for foreign exchange registration. The Notice also cancelled the registration procedures for the confirmation of acquisition by foreign investors of shares, and the annual inspection of foreign exchange of direct investments. Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

(y) Civil air defense property

According to the Civil Air Defense Law of the People's Republic of China (《中華人民共和國人民防空法》) promulgated on 29 October 1996 and revised on 27 August 2009, civil air defense works include underground protective structures that are constructed particularly for sheltering people and goods and materials, civil air defense command and medical aid in time of war, and basements that are constructed in combination with the surface buildings and that can be used for air defense in time of war. The competent departments for civil air defense shall be responsible for organizing construction of such works as civil air defense commands, shelters for public use and main passages for evacuation. Other relevant departments shall be responsible for organizing construction of special works for medical aid and for storage of goods and materials. The Civil Air Defense Law of the People's Republic of China (《中華人民共和國人民防空法》) encourages the public to invest in construction of civil air defense property and investors in civil air defense are permitted to use and manage the civil air defense property in time of peace and profit therefrom.

The design, construction and quality of civil air defense works must conform to the protection and quality standards established by the State. The final design and manufacture of special equipment for civil air defense works must conform to the standards established by the State. The relevant units shall be responsible for constructing works for sheltering their own employees, goods and materials. No organizations or individuals may without approval dismantle any civil air defense works. Where it is truly necessary to dismantle such works, the matter must be reported to the competent department for civil air defense for approval, and the unit that dismantles the works shall be responsible for reconstruction or compensation.

A party that commits any of the following acts shall be given a disciplinary warning by the competent department for civil air defense of the people's government at or above the county level and be ordered to set it right within a time limit, and in the case of an individual a fine of not more than RMB5,000 may also be imposed on him and in the case of a unit a fine ranging from RMB10,000 to RMB50,000 may also be imposed on it; the party shall be liable for the losses according to law, if any:

(i) occupying civil air defense works without authorization without authorisation;

(ii) failing to construct civil air defense works in conformity with the protection standards and quality standards established by the State;

(iii) altering, in violation of the relevant regulations of the State, the major structure of civil air defense works, dismantling equipment or facilities for such works or endangering the safety or impairing the functions of the works by any other means;

(iv) refusing to reconstruct the civil air defense works that were dismantled;

(v) using the special frequency for civil air defense communications or the same acoustic signals as those used for air defense warning or dismantling, without approval, equipment or facilities for civil air defense communications and warning;

(vi) obstructing the installation of facilities of civil air defense communications and warning and refusing to stop doing so ; or

(vii) discharging waste water or gas or dumping waste material into civil air defense works.

On 1 November 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (《人民防空工程平時開發利用管理辦法》) and the Administrative Measures for Maintaining the Civil Air Defense Property (《人民防空工程維護管理辦法》), which specify how to use, manage and maintain the civil air defense property.

B. MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

(a) Enterprise Income Tax

According to the Enterprise Tax Law of The People's Republic of China (《中華人民共和國企業所得税法》) (the "EIT Law") enacted by the National People's Congress on March 16, 2007 and the Rules on the Implementation of Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法實施條例》) (the "Rules on the Implementation") enacted by the State Council on December 6, 2007 and the foresaid law and regulation enforced from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises. Under the EIT Law and the Rules on the Implementation, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose "de facto management body" is located in the PRC are treated as resident enterprises for PRC tax purposes. If an entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate, which will include any dividend income the entity receives from its subsidiaries, unless otherwise provided therein. Although the EIT Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the EIT Law. Furthermore, the EIT Law and the Rules on the Implementation, effective January 1, 2008, provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realized on the transfer of shares by investors will be subject to 10% tax if such gain is regarded as income derived from sources within the PRC. Moreover, according to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), the PRC tax resident enterprise who distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to PRC laws, however, if the beneficiary of the dividends is a Hong Kong tax resident, who directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividends distributor), the withholding tax levied should be 5% of the distributed dividends. If the beneficiary of the dividends is a Hong Kong tax resident, who directly holds less than 25% equity of the aforesaid enterprise, the withholding tax levied should be 10% of the distributed dividends.

On April 11, 2008, the State Administration of Taxation issued the Notice of the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (《國家税務總局關於房地產企業開發所得税預繳問題的通知》), requiring real estate developers to prepay enterprise income tax by quarter (or month) according to the current actual profit.

According to the Notice, for the incomes generated from the pre-sale before completion of the construction of buildings for residential or commercial use or other kinds, the tax prepayments thereof shall be paid upon calculation of the estimated

quarterly or monthly profit according to the preset estimated profit rate, which shall be readjusted according to the actual profit after the completion of the construction of the buildings and settlement of the taxable cost.

With respect to non-low-price economy residence, the preset estimated profit rate for the buildings located at provincial-level cities and suburbs shall be not less than 20%, while that for prefectural-level cities and suburbs shall be not less than 15%; for the low-price economy residence, the preset estimated profit rate shall be not less than 3%.

In addition, the SAT promulgated the Notice of the State Administration of Taxation on How to Understand and Determine "Beneficial Owner" in Tax Treaties (《國家税務總局關於如何理解和認定税收協定中〈受益所有人〉的通知》), or Circular 601, on 27 October 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without substantial business activities, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

According to the Notice of the State Administration of Taxation on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (《關於房地產開發企業所得税預繳問題的通知》) promulgated by the SAT in April 2008, retroactively effective on 1 January 2008 and amends on 4 January 2011, where a real estate development enterprise prepays the enterprise income tax by a quarter, or a month, according to the current actual profit, for the incomes generated from the advance sale prior to the completion of such development projects as dwelling houses, commodity houses and other buildings, fixtures or supporting establishments which are developed and built by the real estate development enterprise, the tax prepayment thereof shall be estimated profit and shall be adjusted according to the actual profit after the development projects are completed and the tax costs are settled.

The Notice on the Measure Dealing with Income Tax of Enterprise Engaged in Real Estate Development (關於《房地產開發經營業務企業所得税處理辦法》的通知) promulgated by the SAT in March 2009 and amended in January 2014 and retroactively effective in January 2008 specifically stipulates the rules regarding tax treatment of income, cost deduction, verification of tax cost and certain items with respect to real property development enterprise according to the EIT Law and the Rules on the Implementation.

According to the Notice on the Confirmation of Completion Conditions for Development of Products by Property Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》) promulgated by the SAT in May 2010, a property will be deemed completed where its delivery procedure, including move-in procedures, has commenced or when the property is in fact put into use. Property developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

(b) Business Tax and Value Added Tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業税暫行條例》) enacted by the State Council on December 13, 1993 and enforced on January 1, 1994 and which was later amended in November 2008 and became enforceable on January 1, 2009 and its Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (《中華人民共和國營業税暫行條例實施細則》) issued by the Ministry of Finance on December 25, 1993, which was later amended in 2011, the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

Pursuant to the Pilot Proposals for the Transformation from Business Tax to Value Added Tax (營業税改徵增值税試點方案) ("Pilot Proposals") promulgated by the Ministry of Finance and the SAT and effective on 16 November 2011, the transformation from business tax to VAT will take effect on 1 January 2012 in pilot business of pilot areas. Pursuant to the Pilot Proposals, two levels of low Valued Added Tax rates of 11% and 6% are added in the current Valued Added Tax rates which are 17% and 13% respectively. The tax rate for business such as the transportation business and the construction business is 11% and the tax rate for certain other modern service business is 6%.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》)which was promulgated by the Ministry of Finance and the SAT on 23 March 2016 and became effective on 1 May 2016, since 1 May 2016, the government will levy Valued Added Tax in lieu of business tax on a trial basis within the territory of the PRC, and any taxable activities of taxpayers shall be subject to a tax rate of 6% except for the taxpayer providing transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, leasing services of tangible personal property, and any cross-border taxable activity conducted by an entity or individual within the territory.

To provide services related to transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, the tax rate is 11%. To provide leasing services of tangible personal property, the tax rate is 17%. For any cross-border taxable activity conducted by an entity or individual within the territory, the tax rate is zero.

The tax calculation methods for value added tax include the general tax calculation method and simplified tax calculation method.

Tax payable under the general tax calculation method refers to the balance between the current output tax and the current input tax. The tax payable shall be calculated according to the following formula:

Tax payable = current output tax – current input tax

Output tax = sales amount × tax rate

Current input tax refers to the amount of value added tax paid or payable by a taxpayer in connection with purchase of goods, processing, repair and fitting services, other services, intangible assets or real property.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (《房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法》) issued on 31 March 2016 and implemented on 1 May 2016 by SAT, in the event that a real estate developer recognized as an ordinary taxpayer sells a self-developed real estate project, the general tax calculation method shall be adopted, and the obtained total consideration and other charges after the deduction of the corresponding land price of the real estate project sold for the current period shall be the sales amount, the calculation formula of which is as follows:

Sales amount = (total consideration and other charges – land price deductible for the current period)/(1 + 11%)

The tax payable under the simplified tax calculation method refers to the value added tax amount calculated based on the sales amount and the applicable value added tax levy rate. The tax payable shall be calculated according to the following formula:

Tax payable = sales amount × levy rate (which is 5%)

For the general taxpayers of real estate developers who sell the real estate projects (excluding the old real estate projects to which the simple tax calculation method is applicable) developed by them, the sales amount shall be the balance of the total price and other charges gained after deduction of the land price paid to the government departments at the time of acceptance of the transferred land. Old real estate projects refer to the real estate projects with the commencement date indicated on the Construction Permit for Construction Engineering being before 30 April 2016. Where a real estate developer recognized as a general taxpayer sells old real estate projects developed by it, the simple tax calculation method may be adopted, with the tax calculated at a levy rate of 5%.

(c) Land Appreciation Tax

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) which was enacted on 13 December 1993 and revised on 8 January 2011, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》) which was enacted and enforced on 27 January 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

(i) amount paid for obtaining the Grant of State-owned Land Use Right;

(ii) costs and expenses for development of land;

(iii) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

(iv) related tax payable for transfer of property;

(v) other deductible items as specified by Ministry of Finance.

Besides, only the sale of ordinary standard residences is exempt from LAT if the appreciation derived from the sale does not exceed 20% of the sum of deductible items.

After the issuance of the Provisional Regulations of the PRC on Land Appreciation Tax and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the property development enterprises to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the transfer contract is signed, the taxpayers should declare the tax to the local tax authorities where the properties are located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the Realty Title Certificate.

State Administration of Taxation also issued the Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax (《關於認真做好土地增值税徵收管理工作的通知》) on 10 July 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT and to improve the methods of pre-levying for the pre-sale of properties. That notice also pointed out that the preferential policy of LAT exemption has expired and that such tax shall be levied again for first time transfer of properties under property development contracts signed before 1 January 1994 or project proposals that have been approved and capital was injected for development. State Administration of Taxation issued the Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax on 2 August 2004 and the Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (《國家税務總局關於進一步加強城鎮土地使用税和土地增值税徵收管理工作的通知》) on 5 August 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for first time transfer of properties under property development contracts signed before 1 January 1994 is expired

and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to the LAT should be further improved and perfected.

On 2 March 2006, the Ministry of Finance and State Administration of Taxation issued the Notice of Certain Issues Regarding Land Appreciation Tax (《關於土地增值税若干問題的通知》). The proposed Directors consider that this notice has no material impact on the Group's business and operations. The notice clarifies the relevant issues regarding LAT as follows:

(i) As to the Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties Built by Taxpayer.

The notice sets out the recognised standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the property before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

(ii) As to the Advance Collection of Land Appreciation Tax as well as the Settlement

All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;

If any tax pre-payment is not paid within the advance collection period, overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period, according to the relevant provisions of the Tax Collection and Administration Law and its detailed rules for implementation;

As to any property project that has been completed and gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The

specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region, municipality directly under the Central Government, or a city under separate state planning;

On 28 December 2006, the State Administration of Taxation issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》) which came into effect on 1 February 2007. The notice set out further provisions concerning the settlement of LAT by property developers by clarifying details regarding units responsible for settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and handling of transfer after tax is imposed and settled etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation. The notice sets out the following key requirements:

(i) Settlement of LAT on a project by project basis

The settlement of LAT shall be made for each approved real estate development project; as for a project developed by stages, the settlement shall be made for each stage of the project.

In case a development project comprises both ordinary residence and non-ordinary residence, the added value shall be calculated separately.

(ii) Settlement requirements for LAT

Where it is under any of the following circumstances, the taxpayer shall settle its LAT: a real estate project is completed and sold out; a real estate project that has not been completed but it is transferred as a whole; the Grant of State-owned Land Use Right is transferred.

A taxpayer that satisfies the above said provisions shall handle the formalities for settlement at the competent tax authority within 90 days as of the date when it meets the settlement requirements.

In case of any of the following circumstances, the tax authority may require the taxpayer to settle its LAT:

As for a real estate project completed and accepted, the construction area already transferred makes up to 85% or more of the saleable construction area of the whole project; or although this proportion is below 85%, the residuary saleable construction area has been leased or used for self-purposes;

The sale is not completed upon the expiration of three years since the day when the sale (pre-sale) permit is obtained;

The taxpayer has filed an application for writing-off tax registration but has not handled the formalities for settling the LAT yet;

Other circumstances as prescribed by the provincial tax authorities. A taxpayer that satisfies the above said provisions shall handle the formalities for settlement within the time limit prescribed by the competent tax authority.

(iii) Collection of LAT by verification

Where a real estate development enterprise is under any of the following circumstances, the tax authority may, by consulting the tax burdens of the local enterprises similar to it in terms of development scale and income level, collect LAT against it by verification on the basis of the levying rate that is not lower than the advance levying rate:

- it fails to set up accounting books in accordance with the provisions of laws and regulations;
- it destroys the accounting books without authorization or refuses to provide the data of tax payments;
- it has established accounting books, but the accounting items are confusing, or its information on costs, revenue vouchers, and expense vouchers are mutilated and incomplete and it is difficult to determine the transfer or amount under the deductible items;
- it meets the settlement conditions of LAT, but it fails to go through the settlement formalities within the prescribed time limit, or it is ordered by the tax authority to conduct settlement within a certain time limit but still fails to do so upon the expiration of the time limit; or
- the taxable basis declared is obviously much lower, and without reasonable ground.

On 12 May 2009, the State Administration of Taxation issued the Notice on Administration and Procedure of the Settlement of Land Appreciation Tax (《國家税務總局關於印發〈土地增值税清算管理規程〉的通知》), the content of which is consistent with the notice issued on 28 December 2008, with respect to the settlement of LAT on a project by project basis, settlement requirement for LAT and collection of LAT by verification.

On 10 November 2016, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Several Provisions concerning the Levy and Administration of Land Appreciation Tax after the Collection of Value-added Tax in Lieu of Business Tax (《國家税務總局關於營改增後土地增值税若干規定的公告》), which, among other things,

- after the collection of VAT in lieu of business tax, VAT shall be excluded from the taxpayer's taxable income under LAT for the transfer of real estate;

- levy basis for prepayment of LAT = advances received – VAT amount to be prepaid;

- after the collection of VAT in lieu of business tax, VAT shall be excluded from "tax relating to transfer of real estate" under the deductible items for the purpose of calculating the LAT increment amount;

- taxable income under LAT = the income derived from the transfer of real estate before the collection of VAT in lieu of business tax + the income derived from the transfer of real estate with VAT excluded after the collection of VAT in lieu of business tax.

On 9 December 2016, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Matters Related to the Enterprise Income Tax Refund Involved in the Settlement of Land Appreciation Tax by Real Estate Developers (《國家税務總局關於房地產開發企業土地增值税清算涉及企業所得税退税有關問題的公告》), which provides, among other things, that where (a) a developer settles the LAT on a developed project according to regulations and a loss occurs after the settlement and payment of its EIT for the current year; and (b) there is no other follow-up development project, such developer may calculate, according to the following method, the EIT overpaid each year for development projects due to LAT, and apply for tax refunds:

(i) the total amount of LAT paid for the project shall be apportioned to each year of project development according to the following formula:

LAT to be apportioned each year = total amount of LAT × (annual project sales revenue ÷ total sales revenue of the whole project)

(ii) upon the LAT to be apportioned to each year of the project development deducts the LAT that has been pre-tax deducted from the taxable income of EIT in the year, the balance shall be the LAT to be deducted in the year; the developers shall adjust the taxable income in the current year, and calculate the EIT that shall be refunded in the current year in accordance with the relevant regulations. If the EIT paid in the current year is insufficient for the tax refund, the shortfall shall be carried forward to the subsequent years as a loss and the taxable income of the subsequent years shall be adjusted.

(iii) to the extent that the LAT is apportioned and adjusted by using the above-mentioned method and consequently there is taxable income in the corresponding year, the EIT shall be calculated and paid in accordance with the relevant provisions.

(iv) the accumulative amount of tax refunds calculated by the Developers using the above-mentioned method shall not exceed the accumulative EIT actually paid for the project development each year; the amount exceeded shall be carried forward to the subsequent years as the loss incurred in the project settlement year.

(d) Deed tax

Pursuant to the Interim regulations of the People's Republic of China on Deed Tax (《中華人民共和國契稅暫行條例》) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%-5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

On 22 October 2008, the Ministry of Finance and State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Estate Transactions (《財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知》). According to the Notice, the following policies would be implemental in order to encourage first-time purchases of ordinary residential properties:

(i) temporarily cease to levy the stamp duty on residential properties sold or purchased by individuals; and

(ii) temporarily cease to levy the LAT on the residential properties sold by individuals

(e) Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on 27 September 1988 and revised in 2013, the land use tax in respect of urban land is levied according to the area of relevant land. The annual amounts of land use tax per square meter are as follows:

(i) RMB1.5 to RMB30 for large cities;

(ii) RMB1.2 to RMB24 for medium sized cities;

(iii) RMB0.9 to RMB18 for small cities;

(iv) RMB0.6 to RMB12 for cities under the county level, towns, and industrial and mining zones.

According to the provisional regulations, land use tax shall be collected from foreign invested enterprises, foreign enterprises and foreign individuals.

On 11 June 2007, SAT issued the Notice on Cancelling Certain Administrative Examination and Approval Items for Local Taxes (《關於取消部分地方税行政審批項目的通知》), which came into force as of the date of its issuance. Under this notice, certain preferential treatments of land use tax have been cancelled as follows:

(i) for certain infrastructure construction projects, in particular the large-scale infrastructure construction projects supported by relevant national industry policies, which need large areas of land and long-term construction but without operational revenue during the construction period, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.

(ii) for the real estate development enterprises that have difficulty in paying the land use tax prior to the sale of commercial real estates, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.

(iii) the exemption or reduction of land use tax as a benefit for using land for port construction, electric power industry and coal industry

(f) Buildings tax

Under the Interim Regulations of the People's Republic of China on Buildings Tax (《中華人民共和國房產税暫行條例》) enacted by the State Council on 15 September 1986 and revised in 2011, buildings tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental. The following categories of buildings shall be exempt from buildings tax:

(i) a building of governmental agencies, people's organizations and the armed forces for their own use;

(ii) a building of institutions whose operating expenses are allocated by State finance departments for their own use;

(iii) a building of religious temples and shrines' parks and places of historic interest and scenic beauty for their own use;

(iv) a building owned by individuals for non-business purposes;

(v) tax exemption approved by the Ministry of Finance for other buildings.

On 31 December 2008, the State Council decided to abolish the urban real estate tax (《城市房地產税暫行條例》) applicable to foreign-funded enterprises, foreign individual and entities and since 1 January 2009, the urban real estate tax has been substituted by the real estate tax (《中華人民共和國房產税暫行條例》), which as a result has been applicable to both local and foreign entities and individuals.

(g) Stamp duty

Under the Interim regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) enacted by the State Council on 6 August 1988 and revised in 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

(h) Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on 8 February 1985 and revised in 2011, any taxpayer, whether an entity or individual, of consumption tax, LAT or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

C. TRUST FINANCING

On 1 October 2001, the Trust Law of the People's Republic of China (《中華人民共和國信託法》) came into force to regulate the legal relationship in trust, which as interpreted under the law refers to that the settler, based on his faith in trustee, entrusts his property rights to the trustee and allows the trustee to, according to the will of the settler and in the name of the trustee, administer or dispose of such property in the interest of a beneficiary or a trustee.

On 1 March 2007, the Administration Measures on Trust Financing Company (《信託公司管理辦法》) came into force, which provides that the establishment and operation of trust financing companies are administrated by CBRC and all trust financing companies need to obtain a Financial Institution License issued by CBRC. Trust financing companies may manage or dispose of trust property, subject to the terms of trust document, in the manner of investment, sale, inter-bank deposits, purchasing for reselling, lease or loans, etc.

From 2008 to 2010, CBRC issued several regulatory notices to enhance the administration on trust loans advanced by trust financing companies to real estate development project, including a Circular on Relevant Matters regarding Strengthening the Supervision of Real Estate Business of Trust Financing Companies (《關於加強信託公司房地產業務監管有關問題的通知》) issued on 11 February 2010, pursuant to which trust financing companies are prohibited to provide loans for payment of land premium and loans should not be provided to property projects that (i) have not obtained the requisite land use right certificates, construction land planning permit, construction work planning permits and construction work commencement permits; (ii) neither its developer nor its controlling shareholder had been issued of real estate developers qualification certificate at or above Class 2C; (iii) the fund invested in the project by the developers' own capital is less than the minimum line required by the government at that time.

Pursuant to the Measures on Administration of Trust Companies《信托公司管理辦法》(the "Trust Measures"), which became effective on 1 March 2007, "trust companies" shall mean the financial institutions which are incorporated in accordance with the Company Law of the People's Republic of China and are engaged mainly in trust business in the PRC. "Trust business" shall mean the business operation that the trust company undertakes as a trustee of a trust and handles the trust matters under a fiduciary capacity for the purpose of operating business and receiving remunerations. The minimum amount of registered capital of a trust company shall be RMB300 million or the equivalent value in a freely convertible currency.

On 12 November 2010, the CBRC issued the Notice on Risk Alert for Trust Companies' Real Estate Business《關於信託公司房地產信託業務風險提示的通知》to require all trust companies to conduct self-examination immediately on the compliance risk of the real estate trust business. Business compliance and risk exposure shall be analysed on case-by-case basis, including whether the real estate development projects to which loans were issued by trust companies have satisfied the conditions such as the availability of all the "Four Permits" (namely, the land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit), whether the real estate developer or its controlling shareholder have obtained Class 2C qualification or above, and whether capital ratio of the project has reached the national minimum requirement. All banking regulatory bureaus shall strengthen compliance supervision and risk control over real estate business of trust companies within their jurisdiction. If problems are discovered during self-examination and inspection, measures shall be taken immediately to order the trust company for rectification and non-compliance behavior shall be penalised in accordance with the relevant rules and regulations.

The following is the text of a report set out on pages III-1 to pages III-53,received from the Target Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF U-RIGHT INTERNATIONAL HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Vivalink Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages III-4 to III-53, which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 April 2017 and the statements of financial position of the Target Company as 31 December 2014, 2015 and 2016 and 30 April 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2016 and the four months ended 30 April 2017 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the"**Historical Financial Information**"). The Historical Financial Information set out on pages III-4 to III-53 forms an integral part of this report, which has been prepared for inclusion in the investment circular of U-RIGHT International Holdings Ltd. dated 27 October 2017 (the "**Circular**") in connection with the proposed very substantial acquisition of the entire issued capital of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Target Company determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2014, 2015 and 2016 and 30 April 2017, of and the Target Company's financial position as at 31 December 2014, 2015 and 2016 and 30 April 2017 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 October 2017

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
		2014	2015	2016	2016	2017
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*5*	1,137,733	942,791	768,363	284,051	136,822
Cost of sales		(931,300)	(684,121)	(576,120)	(212,609)	(37,757)
Gross profit		206,433	258,670	192,243	71,442	99,065
Other income and gains	*7*	11,802	10,801	4,969	1,253	809
Other expenses and refund	*8*	(14,243)	2,596	(14,237)	(1,530)	(2,416)
Selling and distribution expenses		(17,435)	(13,820)	(16,352)	(5,070)	(4,085)
Administrative expenses		(27,034)	(25,497)	(23,377)	(8,673)	(7,680)
Finance costs	*9*	(1,280)	(429)	(22,446)	(13,269)	—
Profit before taxation		158,243	232,321	120,800	44,153	85,693
Income tax expense	*10*	(71,415)	(109,592)	(54,048)	(19,914)	(34,530)
Profit and total comprehensive income for the year/period	*11*	86,828	122,729	66,752	24,239	51,163

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	At 30 April 2017 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	4,984	5,756	4,380	4,209
Deferred tax assets	*25*	440	1,105	1,853	3,126
Long-term guarantee deposit	*18*	—	—	—	5,000
Pledged/restricted bank deposits	*20*	31,711	37,197	42,453	44,497
		37,135	44,058	48,686	56,832
CURRENT ASSETS					
Inventory of properties	*17*	2,424,471	2,293,543	2,352,543	2,425,561
Trade and other receivables and prepayments	*18*	18,240	20,952	16,481	19,780
Amount due from immediate holding company	*16*	306	—	—	—
Prepaid income tax		20,439	25,627	25,944	30,379
Financial asset at fair value through profit or loss ("FVTPL")	*19*	—	91,073	—	—
Pledged/restricted bank deposits	*20*	222	—	—	—
Bank balances and cash	*20*	53,395	213,261	260,304	355,434
		2,517,073	2,644,456	2,655,272	2,831,154
CURRENT LIABILITIES					
Trade and other payables and accruals	*21*	99,400	81,554	137,442	144,446
Deposits received for sale of properties		220,633	140,566	196,280	282,902
Amounts due to related companies	*33*	249,319	18,570	12,871	12,871
Amount due to immediate holding company	*16*	—	310,793	324,763	329,226
Income tax payable		67,158	158,314	168,935	200,907
Borrowings — due within one year	*22*	561,783	1,058,909	—	500,000
		1,198,293	1,768,706	840,291	1,470,352
NET CURRENT ASSETS		1,318,780	875,750	1,814,981	1,360,802
TOTAL ASSETS LESS CURRENT LIABILITIES		1,355,915	919,808	1,863,667	1,417,634

	NOTES	At 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	At 30 April 2017 RMB'000
CAPITAL AND RESERVES					
Share capital	23	305	305	305	305
Reserves		147,999	247,638	314,390	365,553
TOTAL EQUITY		148,304	247,943	314,695	365,858
NON-CURRENT LIABILITIES					
Borrowings — due after one year	22	1,199,908	660,000	1,535,128	1,036,679
Deferred tax liabilities	25	7,703	11,865	13,844	15,097
		1,207,611	671,865	1,548,972	1,051,776
		1,355,915	919,808	1,863,667	1,417,634

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	NOTES	At 31 December 2014 RMB'000	At 31 December 2015 RMB'000	At 31 December 2016 RMB'000	At 30 April 2017 RMB'000
NON-CURRENT ASSET					
Investment in a subsidiary	*16*	373	306,076	306,076	306,076
CURRENT ASSETS					
Amount due from immediate holding company	*16*	306	—	—	—
Bank balances and cash	*20*	—	257	76	126
		306	257	76	126
CURRENT LIABILITIES					
Accruals		—	3,874	2,366	314
Amount due to immediate holding company	*16*	—	310,793	324,763	329,226
Amount due to a related company	*33*	387	—	—	—
		387	314,667	327,129	329,540
NET CURRENT LIABILITIES		(81)	(314,410)	(327,053)	(329,414)
TOTAL ASSETS LESS CURRENT LIABILITIES		292	(8,334)	(20,977)	(23,338)
CAPITAL AND RESERVE					
Share capital	*23*	305	305	305	305
Accumulated losses	*24*	(13)	(8,639)	(21,282)	(23,643)
TOTAL EQUITY		292	(8,334)	(20,977)	(23,338)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company					
	Share capital *RMB'000*	**Capital reserve** *RMB'000 (note i)*	**Other reserve** *RMB'000 (note ii)*	**Statutory reserve** *RMB'000 (note iii)*	**(Accumulated losses) retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	—	468,655	62,600	5,720	(28,934)	508,041
Profit and total comprehensive income for the year	—	—	—	—	86,828	86,828
Appropriation to statutory reserve	—	—	—	11,939	(11,939)	—
Issue of share capital	305	—	—	—	—	305
Payment for transfer of equity interest in Hunan Weilong *(note iv)*	—	(20,000)	—	—	—	(20,000)
Payment for transfer of equity interest in Fuzhou Fullsun Group *(note v)*	—	(505)	132	—	—	(373)
Payment for transfer of equity interest in Hunan Fullsun Group *(note vi)*	—	(425,000)	(1,347)	—	—	(426,347)
Disposal of a subsidiary *(note vii)*	—	(150)	—	—	—	(150)
At 31 December 2014	305	23,000	61,385	17,659	45,955	148,304
Profit and total comprehensive income for the year	—	—	—	—	122,729	122,729
Appropriation to statutory reserve	—	—	—	15,258	(15,258)	—
Payment for transfer of equity interest in Hunan Fullsun Group *(note viii)*	—	(20,000)	(90)	—	—	(20,090)
Payment for transfer of equity interest in Hunan Fullsun *(note ix)*	—	(3,000)	—	—	—	(3,000)
At 31 December 2015	305	—	61,295	32,917	153,426	247,943
Profit and total comprehensive income for the year	—	—	—	—	66,752	66,752
Appropriation to statutory reserve	—	—	—	7,159	(7,159)	—
At 31 December 2016	305	—	61,295	40,076	213,019	314,695
Profit and total comprehensive income for the period	—	—	—	—	51,163	51,163
At 30 April 2017	305	—	61,295	40,076	264,182	365,858
At 1 January 2016	305	—	61,295	32,917	153,426	247,943
Profit and total comprehensive income for the period	—	—	—	—	24,239	24,239
At 30 April 2016 (unaudited)	305	—	61,295	32,917	177,665	272,182

Notes:

i. Capital reserve of RMB468,655,000 as at 1 January 2014 represented the registered capital and capital reserve of 湖南福晟集團有限公司 ("**Hunan Fullsun Group**"), 湖南瑋隆房地產開發有限公司 ("**Hunan Weilong**"), 湖南福晟房地產開發有限公司 ("**Hunan Fullsun**"), 長沙福晟物業管理有限公司 ("**Changsha Fusheng**") and 福州福晟集團有限公司 ("**Fuzhou Fullsun Group**") attributable to Mr. Pan Weiming ("**the Ultimate Controlling Shareholder**").

At 1 January 2014, prior to the group reorganisation (the "**Reorganisation**") Hunan Fullsun Group was 95.51% owned by 福建福晟集團有限公司 ("**Fujian Fusheng Group**") and 4.49% owned by 錢隆投資有限公司 ("**Qianlong Investment**"), which was 100% beneficially owned by Ms. Chen Weihong, (wife of Mr. Pan Weiming). Fujian Fusheng Group is a wholly-owned subsidiary of 福晟集團有限公司 ("**Fusheng Group**") which is 90% and 10% owned by Mr. Pan Weiming and Mr. Pan Haoran (son of Mr. Pan Weiming) respectively. Pursuant to the written agreement dated 23 December 2009 entered into between Mr. Pan Weiming and Mr. Pan Haoran, the 10% shareholding in Fusheng Group is held by Mr. Pan Haoran on behalf of Mr. Pan Weiming and therefore, Fusheng Group is considered to be 100% beneficially owned by the Ultimate Controlling Shareholder during the Track Record Period.

At 1 January 2014, Hunan Weilong was 95% and 5% beneficially owned by Hunan Fullsun Group and Fujian Fusheng Group, respectively and Hunan Fullsun was 99.2515% and 0.7485% held by Hunan Fullsun Group and Fujian Fusheng Group, respectively.

At 1 January 2014, Fuzhou Fullsun Group was a wholly-owned subsidiary of Prospering Assets Ltd., a limited liability company incorporated in the British Virgin Islands (the "**BVI**") and was 85% held by Mr. Pan Weiming and 15% held by Mr. Ko Jin Heng ("**Mr. Ko**"). Pursuant to a written agreement and declaration of trust both dated 31 July 2013, the 15% equity interest in Prospering Assets Ltd., was held by Mr. Ko on behalf of Mr. Pan Weiming. In July 2014, Mr. Ko has transferred the 15% equity interest in Prospering Assets Ltd. to CHS Investments Limited, a limited liability company incorporated in the BVI and 100% owned by Mr. Ng Kin Fai ("**Mr. Ng**"), an independent third party. Pursuant to a written agreement and declaration of trust both dated 10 July 2014, the equity interest in CHS Investments Limited was held by Mr. Ng on behalf of Mr. Pan Weiming.

Prior to the disposal of Changsha Fusheng in December 2014, Changsha Fusheng was 97% owned by Hunan Fullsun Group and 3% owned by Qianlong Investment. Pursuant to the written agreement dated 16 March 2008 entered into between Mr. Pan Weiming and Qianlong Investment, 3% of Changsha Fusheng was held by Qianlong Investment on behalf of Mr. Pan Weiming. Changsha Fusheng was considered to be 97% beneficially owned by the Target Company prior to the disposal.

ii. Other reserve represented the difference between the consideration paid by the Target Group and the carrying amount of registered capital of certain subsidiaries in respect of the transfer of equity interests of those subsidiaries to the Target Group from the companies controlled by the Ultimate Controlling Shareholder.

iii. In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("**PRC**"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operation or convert into additional capital of the subsidiaries.

iv. In November 2014, Hunan Fullsun Group further acquired the remaining 5% equity interest in Hunan Weilong from Fujian Fusheng Group at a consideration of RMB20,000,000, which was settled by setting off with the amount due from Fujian Fusheng Group.

v. In December 2014, the Target Company entered into an agreement with Prospering Assets Ltd. to acquire the entire equity interest in Fuzhou Fullsun Group at a cash consideration of USD61,000 (equivalent to RMB373,000). The consideration of RMB373,000 has been paid to Prospering Assets Ltd in March 2015. The approval from the relevant PRC authority was obtained on 30 December 2014 and such acquisition was completed on 30 December 2014. Other reserve of RMB132,000 represented the difference between the consideration of RMB373,000 and the carrying amount of registered capital of Fuzhou Fullsun Group acquired by the Target Company amounted to RMB505,000.

vi. In December 2014, Fuzhou Fullsun Group entered into an agreement with Fujian Fusheng Group to acquire 95.51% equity interest in Hunan Fullsun Group from Fujian Fusheng Group at a cash consideration of RMB426,347,000. The completion date of such acquisition was on 31 December 2014. The consideration of RMB208,236,000 was settled by setting off with the amount due from Fujian Fusheng Group and the remaining RMB218,111,000 was settled in cash in 2015. Other reserve of RMB1,347,000 represented the difference between the consideration of RMB426,347,000 and the carrying amount of registered capital of Hunan Fullsun Group acquired by Fuzhou Fullsun Group amounted to RMB425,000,000.

vii. As detailed in note 28, Hunan Fullsun Group disposed its 97% equity interest in Changsha Fusheng to an independent third party in December 2014. The remaining 3% equity interest in Changsha Fusheng held by Qianlong Investment on behalf of Mr. Pan Weiming was disposed of to the same independent third party at a consideration of RMB150,000, which was received by Qianlong Investment and was accounted for as the deemed distribution to the Ultimate Controlling Shareholder.

viii. In March 2015, Fuzhou Fullsun Group entered into an agreement with Qianlong Investment to further acquire the remaining 4.49% equity interest in Hunan Fullsun Group from Qianlong Investment at a consideration of RMB20,090,000. The acquisition was completed in March 2015. The consideration was fully settled by setting off with the amount due from Fujian Fusheng Group.

ix. Upon the maturity of the Zhuhai Oriental Financing Arrangement (as defined in note 22), the 0.7485% equity interest in Hunan Fullsun has been transferred directly to Hunan Fullsun Group instead of Fujian Fusheng Group, in return Hunan Fullsun Group has paid back Fujian Fusheng Group for the 0.7485% capital contribution in Hunan Fullsun amounting to RMB3 million in June 2015 through the set off with the amount due from Fujian Fusheng Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before taxation	158,243	232,321	120,800	44,153	85,693
Adjustments for:					
Depreciation	1,461	1,943	2,075	460	257
Interest expenses	1,280	429	22,446	13,269	—
Interest income	(697)	(687)	(642)	(145)	(115)
Written-off of property, plant and equipment	191	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	(56)	—	—
Gain on disposal of a subsidiary	(5,329)	—	—	—	—
Forfeiture of long outstanding payables	(86)	—	—	—	—
Operating cash flows before movements in working capital	155,063	234,006	144,623	57,737	85,835
Decrease (increase) in inventory of properties	46,015	402,422	128,420	(53,661)	(17,784)
Decrease (increase) in trade and other receivables and prepayments	37,650	(2,712)	4,471	(3,604)	(3,299)
Increase (decrease) in trade and other payables and accruals	37,930	(2,472)	49,463	11,312	(11,380)
(Decrease) increase in deposits received for sale of properties	(715,425)	(80,067)	55,714	36,714	86,622
(Increase) decrease in financial asset at FVTPL	—	(91,073)	91,073	91,073	—
Decrease in amount due to a related company	(8,458)	(10,945)	(5,699)	(1,436)	—
Cash (used in) generated from operations	(447,225)	449,159	468,065	138,135	139,994
Income tax paid	(12,368)	(20,127)	(42,513)	(18,383)	(7,013)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(459,593)	429,032	425,552	119,752	132,981

	NOTE	Year ended 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	Four months ended 30 April 2016 RMB'000 (unaudited)	2017 RMB'000
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(3,420)	(2,715)	(736)	(359)	(86)
Proceeds from disposal of property, plant and equipment		—	—	93	—	—
Disposal of a subsidiary	*28*	(222)	—	—	—	—
Additions of pledged/restricted bank deposits		(41,664)	(113,621)	(42,061)	(11,848)	(2,317)
Withdrawal of pledged/restricted bank deposits		48,605	108,357	36,805	12,612	273
Payment of guarantee deposit		—	—	—	—	(5,000)
Advances to third parties		(2,386,266)	(4,700)	—	—	—
Repayment from third parties		1,165,959	—	—	—	—
(Advance to) repayment from immediate holding company		(306)	306	—	—	—
Advances to related companies		(662,533)	(121,500)	—	—	—
Repayment from related companies		189,037	106,110	—	—	—
Interest received		697	687	642	145	115
NET CASH USED IN INVESTING ACTIVITIES		(1,690,113)	(27,076)	(5,257)	550	(7,015)
FINANCING ACTIVITIES						
Additions of borrowings		1,228,000	755,878	1,803,128	651,000	—
Repayment of borrowings		(1,047,306)	(798,660)	(1,986,909)	(479,273)	—
Advances from third parties		1,036,960	—	—	—	—
Repayment to third parties		(381,016)	—	—	—	—
Advance from immediate holding company		—	310,793	13,970	160	4,463
Advances from related parties		1,800,264	426,724	—	—	—
Repayment to related parties		(414,883)	(428,044)	—	—	—
Payment for transfer of equity interests in subsidiaries		—	(218,484)	—	—	—
Issue of share capital		305	—	—	—	—
Interest paid		(204,620)	(290,297)	(203,441)	(56,568)	(35,299)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,017,704	(242,090)	(373,252)	115,319	(30,836)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(132,002)	159,866	47,043	235,621	95,130
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD		185,397	53,395	213,261	213,261	260,304
CASH AND CASH EQUIVALENTS AS THE END OF YEAR/PERIOD, represented by bank balances and cash		53,395	213,261	260,304	448,882	355,434

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Target Company, which acts an investment holding company, was incorporated as an exempted company with limited liability in the BVI on 29 October 2014. It is a wholly-owned subsidiary of Tongda Enterprise Ltd. ("**Tongda**") which is a limited liability company incorporated in the BVI and 100% owned by Mr. Pan Weiming. The address of the Target Company's registered office is offshore Incorporate Centre, P.O. Box 957, Road Town, Tortola, BVI and the principal place of business is Block A, Wanda Plaza Office Building, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan.

Prior to the Reorganisation, Hunan Fullsun Group was 95.51% and 4.49% owned by Fujian Fusheng Group and Qianlong Investment, respectively, Hunan Weilong was 95% and 5% beneficially owned by Hunan Fullsun Group and Fujian Fusheng Group, respectively, Fuzhou Fullsun Group was a wholly-owned subsidiary of Prospering Assets Ltd, Hunan Fullsun was 99.2515% and 0.7485% held by Hunan Fullsun Group and Fujian Fusheng Group, respectively, 湖南中旅房地產發展有限公司 ("**Hunan Zhonglv**") was 100% held by Ms. Peng Kuidong (sister-in-law of Mr. Pan Weiming) on behalf of Mr. Pan Weiming. 湖南隆祥房地產開發有限公司 and 湖南晟冉房地產開發有限公司 were the wholly-owned subsidiaries of Hunan Fullsun Group. The below are the major steps for the Reorganisation.

- In June 2014, Mr. Pan Weiming transferred 85% equity interest in Prospering Assets Ltd. to Tongda.
- On 30 November 2014, Fujian Fusheng Group and Hunan Fullsun Group entered into an equity transfer agreement, pursuant to which Fujian Fusheng Group transferred its remaining 5% equity interest in Hunan Weilong to Hunan Fullsun Group. Thereafter, Hunan Weilong becomes the wholly-owned subsidiary of Hunan Fullsun Group.
- On 30 November 2014, the entire equity interest in Hunan Zhonglv held by Peng Kuidong was transferred to Hunan Fullsun Group. Thereafter, Hunan Zhonglv becomes the wholly-owned subsidiary of Hunan Fullsun Group.
- In December 2014, Fuzhou Fullsun Group entered into an agreement with Fujian Fusheng Group to acquire 95.51% equity interest in Hunan Fullsun Group from Fujian Fusheng Group. The completion date of such acquisition was on 31 December 2014 and thereafter, Hunan Fullsun Group became an indirect subsidiary of the Target Company.
- In December 2014, the Target Company entered into an agreement with Prospering Assets Ltd. to acquire the entire equity interest in Fuzhou Fullsun Group and the approval from the relevant PRC authority was obtained on 30 December 2014 and such acquisition was completed on 30 December 2014 and Fuzhou Fullsun Group becomes the wholly-owned subsidiary of the Target Company.
- In March 2015, Fuzhou Fullsun Group entered into an agreement with Qianlong Investment to further acquire the remaining 4.49% equity interest in Hunan Fullsun Group from Qianlong Investment and the acquisition was completed in March 2015 and thereafter, Hunan Fullsun Group becomes the wholly-owned subsidiary of Fuzhou Fullsun Group.
- In June 2015, Hunan Fullsun Group has paid RMB3 million to Fujian Fusheng Group for the transfer of 0.7485% equity interest in Hunan Fullsun held by Fujian Fusheng Group.

Pursuant to the Reorganisation, the Target Company became the holding company of all the companies now comprising the Target Group on 31 December 2014. All the companies now comprising the Target Group since their respective dates of incorporation/establishment or up to the date of disposal were under common control of the Ultimate Controlling Shareholder before and after the Reorganisation and that the control is not transitory. Hence, the Target Group resulting from the Reorganisation set out above is regarded as a continuing entity. The Historical Financial Information of the Target Group has been prepared on the basis as if the Target Company had always been the holding company of the Target Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the year ended 31 December 2014 include the results, changes in equity and cash flows of the companies now comprising the Target Group have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2014, or since their respective dates of incorporation or establishment, where this is a shorter period.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 3 which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Target Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Group has consistently applied Hong Kong Accounting Standards ("**HKAS**"), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "**HKFRSs**") which are effective for its accounting period beginning on 1 January 2017 throughout the Track Record Period.

At the date of this report, the Target Group has not early applied the following new and amendments to HKFRSs and the new interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[3]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatment[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKAS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2019.

Except as described below, the directors of the Target Company anticipate that the application of the new and amendments to HKFRSs and the new interpretations will have no material impact on the financial statements of the Target Group in future.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Target Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by

collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 ''Financial Instruments: Recognition and Measurement''. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Target Group's financial assets measured at amortised cost. Other than that, the directors of the Target Company anticipate that the application of the HKFRS 9 will have no material impact on the results and the financial position of the Target Group in future.

HKFRS 15 "Revenue from contracts with Customer"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 ''Revenue'', HKAS 11 ''Construction Contracts'' and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ''control'' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

Based on the Target Group's facts and circumstances, the directors of the Target Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Target Company do not anticipate that the application of HKFRS 15 will have a significant impact on the amounts recognised in the Target Group's financial statements in the future.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 ''Leases'', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 30, total operating lease commitment of the Target Group in respect of offices premises as at 30 April 2017 amounted to RMB12,322,000, the directors of the Target Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Target Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position in future as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622). The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 ''Share-based payment'', leasing transactions that are within the scope of HKAS 17 ''Leases'', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 ''Inventories'' or value in use in HKAS 36 ''Impairment of Assets''.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follow:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved where the Target Company:

- has the power over the investee;
- is exposed, or has right, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Company obtains control over the subsidiary and ceases when the Target Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Company gains control until the date when the Target Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target and to the non-controlling interests even it this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Changes in the Target Group's ownership interests in subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combinations involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and services provided in the normal course of business, net of discounts.

Revenue from sale of properties in the ordinary course of business is recognised when the development of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale and purchase agreements and when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are include in the consolidated statements of financial position under current liabilities.

Property management income is recognised when the related services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administration purposes, are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment losses on the statements of financial position of the Target Company. The results of the subsidiary are accounted for by the Target Company on the basis of dividends received or receivable during the year.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Target Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Target Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as ''prepaid lease payments'' in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventory of properties

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less anticipated selling expenses and costs to completion, if applicable.

The cost of properties under development for sale comprises land costs, construction costs, borrowing costs capitalised according to the Target Group's accounting policy and directly attributable expenses incurred during the development period. On completion, the properties are transferred to completed properties for sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Transaction costs that are directly attributable to acquisition or issue of financial assets and financial liabilities measured at fair value through profit or loss are recognised immediately to profit or loss.

Financial assets

The Target Group's financial assets are classified as financial assets at fair value through profit or loss (FVTPL) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income and gains' line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivable, amount due from immediate holding company, pledged/restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial asset measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to immediate holding company and related companies and borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Target Group are initially measured at their fair value and, if not designated at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Target Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 ''Provisions, Contingent Liabilities and Contingent Assets'', and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the Target Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the ''profit before taxation'' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in the PRC which are defined contribution plans are recognised in profit or loss when employees have rendered services entitling them to the contributions.

Government grant

Government grants are not recognised until there is a reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Target Group's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the report period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next twelve months.

Development costs directly attributable to property development activities

The Target Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Target Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions, concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Target Group's operating performance in future years.

Determination of net realisable value of inventory of properties

Inventory of properties are stated at the lower of the cost and net realisable value with carrying amount of approximately RMB2,424,471,000, RMB2,293,543,000, RMB2,352,543,000 and RMB2,425,561,000 at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on prevailing market conditions. Where there is any increase in costs to completion or decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss in respect of the properties under development for sale and completed properties for sale. No impairment loss on inventory of properties was made during the Track Record Period.

Land appreciation tax ("LAT")

The Target Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Target Group have not finalised their land appreciation tax calculations and payments with the local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Target Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Deferred taxation

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at 31 December 2014, 2015 and 2016 and 30 April 2017, deferred tax assets of approximately RMB440,000, RMB1,105,000, RMB1,853,000 and RMB3,126,000, respectively have been recognised in the Target Group's consolidated statements of financial position. In case where the actual future profits generated are less than expected, material reversal of deferred tax assets may arise, which would be recognised in the profit or loss.

5. REVENUE

Revenue represents income from sales of properties and property management and related services earned during the Track Record Period, net of discounts allowed, and is analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of properties	1,128,578	941,210	768,363	284,051	136,822
Property management services *(note)*	9,155	1,581	—	—	—
	1,137,733	942,791	768,363	284,051	136,822

Note: The Target Group no longer provide property management services since June 2015. The directors of the Target Company consider that the property management service had insignificant contribution to the revenue, profit and cash flows of the Target Group.

6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Target Company) reviews the overall results and financial position of the Target Group as a whole prepared based on same accounting policies set out in note 3. The property development projects which are mainly located in Hunan province, the PRC, and their revenue is primarily derived from the sales of properties, and subject to common risk and returns. The directors of the Target Company consider all the Target Group's property development projects have similar characteristics in terms of construction process, class of customers and distribution method and are under similar economic conditions and subject to similar regulatory policies. Therefore, the management considers that the Target Group only has one operating segment.

All of the Target Group's revenue is attributable to the sales of properties and income from property management services in the PRC and all of the Target Group's non-current assets are located in the PRC.

During the four months ended 30 April 2016, the sales of properties to a PRC entity independent to the Target Group was RMB45,409,000 (unaudited) which was more than 10% of the revenue of the Target Group of the period. Except for this, there was no customer who accounted for over 10% of the total revenue of the Target Group for the Track Record Period.

7. OTHER INCOME AND GAINS

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income from lease of completed properties held for sales	3,932	7,405	3,340	1,042	647
Interest income on bank deposits	697	687	642	145	115
Government grants	—	100	—	—	—
Compensation from contractors due to delay of work	135	—	45	—	—
Gain on disposal of a subsidiary	5,329	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	56	—	—
Forfeiture of long outstanding payables	86	—	—	—	—
Exchange gains	—	561	16	—	—
Others	1,623	2,048	870	66	47
	11,802	10,801	4,969	1,253	809

8. OTHER EXPENSES AND REFUND

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Penalty	19	205	—	—	—
Surcharge for late payment of taxes	—	—	1,870	98	—
Written off of properties, plant and equipment	191	—	—	—	—
Donations	185	90	50	—	—
Compensation for (refund of) late payment of land premium *(note)*	12,470	(12,470)	—	—	—
Professional fee in relation to the Acquisition	1,180	9,578	12,176	1,305	2,416
Others	198	1	141	127	—
	14,243	(2,596)	14,237	1,530	2,416

Note: A piece of land was acquired by Hunan Longxiang in 2013 and according to the sale and purchase agreement, all the land premium should be settled before February 2014. Hunan Longxiang settled all the land premium in May 2014. The management of the Target Group justified such late settlement of the land premium was attributable to the delay in clearance of the land by the local government. The land certificates have been obtained by Hunan Longxiang after the payment of RMB12,470,000 to the relevant PRC authority for the late payment of the land premium. As the recoverability of this amount is in doubt and in view of the nature of such payment, the amount was charged to the profit or loss for the year ended 31 December 2014. Through the continuous negotiation with the relevant PRC authority and in the view that both contracted parties have breached certain terms of the sale and purchase agreement and they finally reached consensus that no compensation will be claimed against the local government and the payment of RMB12,470,000 was fully refunded to Hunan Longxiang in June 2015 from the relevant authorities.

9. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on:					
— bank borrowings	44,571	51,873	50,091	16,408	—
— other loans	134,569	220,050	159,775	47,899	55,234
	179,140	271,923	209,866	64,307	55,234
Less: amount capitalised in properties under development for sale	(177,860)	(271,494)	(187,420)	(51,038)	(55,234)
	1,280	429	22,446	13,269	—

10. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
PRC Enterprise income tax ("**EIT**")	45,801	63,397	28,787	10,012	20,570
LAT	18,182	42,698	24,030	8,201	13,980
	63,983	106,095	52,817	18,213	34,550
Deferred tax *(note 25)*	7,432	3,497	1,231	1,701	(20)
	71,415	109,592	54,048	19,914	34,530

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the income of the Target Group neither arises in nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The provision of LAT is estimated according to the requirement set forth in the relevant PRC tax law and regulations. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	158,243	232,321	120,800	44,153	85,693
Tax at PRC EIT rate of 25%	39,561	58,080	30,200	11,038	21,423
LAT	18,182	42,698	24,030	8,201	13,980
Tax effect on LAT	(4,546)	(10,675)	(6,008)	(2,050)	(3,495)
Tax effect of expenses not deductible for tax purposes	14,569	9,798	8,298	3,660	703
Tax effect of income not taxable for tax purposes	(1,295)	(3,258)	—	—	—
Tax effect of tax losses not recognised	2,795	1,237	1,239	377	858
Tax effect of deductible temporary difference not recognised	—	8,822	2,472	386	917
Utilisation of tax losses previously not recognised	—	—	(7,472)	(1,698)	—
Withholding tax on undistributed profits of the PRC subsidiaries	2,149	2,890	1,289	—	144
Income tax expense for the year/period	71,415	109,592	54,048	19,914	34,530

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging (crediting):					
Auditors' remuneration	46	4	52	—	—
Cost of properties for sale included in cost of sales	855,646	630,144	549,375	196,687	36,913
Depreciation of property, plant and equipment	1,461	1,943	2,075	460	257
Minimum lease payments under operating leases	1,978	1,675	1,580	615	547
Staff costs					
Staff salaries excluding retirement benefit contribution	24,190	12,460	12,721	4,280	6,434
Retirement benefit contributions	1,459	586	746	137	251
	25,649	13,046	13,467	4,417	6,685
Less: amount capitalised to properties under development for sale	(4,300)	(1,209)	(1,127)	(210)	(1,448)
	21,349	11,837	12,340	4,207	5,237

12. DIRECTORS', EMPLOYEES' AND CHIEF EXECUTIVE'S EMOLUMENTS

Mr. Pan Weiming and Mr. Pan Haoran are the directors of the Target Company since the date of incorporation. No director emoluments were paid by the Target Group during the Track Record Period. Mr. Pan Jungang is the chief executive of the Target Group and his emoluments during the Track Record Period were as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	419	475	480	160	160
Performance related bonus	198	195	—	—	182
Retirement benefit contributions	13	21	21	7	7
	630	691	501	167	349

Performance related bonus was determined by the management having regard to the individual performance.

Details of the five highest paid individuals of the Target Group who are not director of the Target Company during the Track Record Period were as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	1,264	1,495	1,775	643	673
Performance related bonus	366	522	85	68	406
Retirement benefit contributions	23	64	72	25	25
	1,653	2,081	1,932	736	1,104

Their emoluments individually were all below HK$1,000,000.

During the Track Record Period, no emoluments had been paid by the Target Group to the directors of the Target Company or five highest paid individuals as inducement to join the Target Group or as compensation for loss of office.

13. DIVIDENDS

No dividends have been paid or declared by the Target Company and the group entities during the Track Record Period.

14. EARNINGS PER SHARE

No earnings per share for the Track Record Period is presented as its inclusion is considered not meaningful for the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Motor vehicles	Furniture, fixture and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2014	1,343	768	4,244	2,426	8,781
Additions	—	1,587	877	956	3,420
Written-off	—	—	(1,553)	(795)	(2,348)
Disposal of a subsidiary	—	—	—	(122)	(122)
At 31 December 2014	1,343	2,355	3,568	2,465	9,731
Additions	—	735	—	1,980	2,715
At 31 December 2015	1,343	3,090	3,568	4,445	12,446
Additions	—	—	—	736	736
Disposal	—	—	(747)	—	(747)
At 31 December 2016	1,343	3,090	2,821	5,181	12,435
Additions	—	—	—	86	86
At 30 April 2017	1,343	3,090	2,821	5,267	12,521

	Buildings *RMB'000*	Leasehold improvement *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixture and equipment *RMB'000*	Total *RMB'000*
ACCUMULATED DEPRECIATION					
At 1 January 2014	9	76	3,764	1,666	5,515
Charge for the year	64	785	158	454	1,461
Eliminated on written-off	—	—	(1,476)	(681)	(2,157)
Eliminated on disposal of a subsidiary	—	—	—	(72)	(72)
At 31 December 2014	73	861	2,446	1,367	4,747
Charge for the year	75	1,092	278	498	1,943
At 31 December 2015	148	1,953	2,724	1,865	6,690
Charge for the year	112	1,137	266	560	2,075
Eliminated on disposal	—	—	(710)	—	(710)
At 31 December 2016	260	3,090	2,280	2,425	8,055
Charge for the period	39	—	74	144	257
At 30 April 2017	299	3,090	2,354	2,569	8,312
CARRYING VALUES					
At 31 December 2014	1,270	1,494	1,122	1,098	4,984
At 31 December 2015	1,195	1,137	844	2,580	5,756
At 31 December 2016	1,083	—	541	2,756	4,380
At 30 April 2017	1,044	—	467	2,698	4,209

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Buildings	5%
Leasehold improvement	Over the shorter of term of the lease, or 3 years
Motor vehicles	20%–25%
Furniture, fixture and equipment	10%–50%

16. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM (TO) IMMEDIATE HOLDING COMPANY

The Target Company

	RMB'000
Investment cost, unlisted	
At 31 December 2014	373
Capital contributions in 2015	305,703
At 31 December 2015 and 31 December 2016 and 30 April 2017	306,076

Amount represents the investment cost in Fuzhou Fullsun Group. In April and May 2015, the Target Company has made further capital contributions of USD49,939,000 to Fuzhou Fullsun Group and the registered capital of Fuzhou Fullsun Group was increased from USD61,000 to USD50,000,000.

The amount due from (to) immediate holding company are non-trade nature, unsecured, interest-free and repayable on demand.

17. INVENTORY OF PROPERTIES

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties for sale	405,845	524,616	203,777	396,574
Properties under development for sale	2,018,626	1,768,927	2,148,766	2,028,987
	2,424,471	2,293,543	2,352,543	2,425,561

Included in the amount are properties under development for sale of RMB1,231,367,000, RMB1,517,861,000, RMB1,722,196,000 and RMB1,735,935,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017 respectively which are expected to be completed more than twelve months from the end of the respective reporting period.

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Trade receivables mainly arise from sales of properties and management income in respect of property management. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of agreement. Certain property buyers used their housing fund contributions to pay for the consideration through the application to the Housing Provident Fund Bureau and certain portion of consideration (3% to 5%) will be settled by the Housing Provident Fund Bureau upon the release of building ownership certificate to the property buyers. Management fee income is received in accordance with the terms of the relevant property service agreements, normally within 30 days from the issuance of invoices.

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,164	2,966	2,779	2,902
Other receivables	6,987	9,283	11,967	11,164
Guarantee deposit *(note)*	—	—	—	5,000
Prepayments to suppliers	5,057	2,204	1,250	1,669
Prepaid other taxes	3,032	6,499	485	4,045
	18,240	20,952	16,481	24,780
Less: amounts shown under non-current assets	—	—	—	(5,000)
	18,240	20,952	16,481	19,780

Note: The amount represents the guarantee deposit paid to 大業信托有限責任公司, a trust company, as the security for a trust loan of RMB500,000,000 provided to the Target Group and will be released upon the settlement of the trust loan in December 2018 and therefore, it is included in non-current assets.

The following is an aged analysis of trade receivables based on the date of delivery of the properties to the customers or the invoice date of management fee at the end of each reporting period.

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	—	2,921	—	82
31 to 90 days	—	17	—	—
91 to 180 days	—	—	191	—
181 to 365 days	2,239	—	2,560	456
Over 1 year	925	28	28	2,364
	3,164	2,966	2,779	2,902

The trade receivables at the end of each reporting period mainly related to those buyers who applied for the Housing Provident Fund contributions to pay for the consideration and the final portion will be settled upon the release of building ownership certificate to the buyers. The trade receivable balances at the end of each reporting period are considered not yet past due. No allowance for doubtful debts on trade receivables was provided during the Track Record Period, taking into account the past low default rate and the concentration risk is limited because the customer base is large and unrelated.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

On 31 December 2015, the Target Group entered into a contract with a bank to place a deposit of RMB91,073,000 to the bank for the investment in certain PRC government debt instruments and treasury notes. The return of the deposit depends on the financial performance of the underlying investments and is not guaranteed. Such deposit is designated at fair value through profit or loss. The deposit was fully redeemed by the Target Group at a consideration of RMB91,073,000 on 4 January 2016.

20. PLEDGED/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged/restricted bank deposits

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In relation to:				
Mortgage loans applied by customers *(note a)*	25,021	30,484	23,995	24,225
Bank borrowings for the Target Group	222	—	—	—
Security deposit for workers of property projects *(note b)*	6,690	6,713	18,458	20,272
	31,933	37,197	42,453	44,497
Less: amounts shown under current assets	(222)	—	—	—
Amounts shown under non-current assets	31,711	37,197	42,453	44,497

Notes:

a. The pledged bank deposits are secured for the mortgage loans applied by the customers and will be released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans.

b. The property development project companies are required by the relevant PRC regulations to place certain bank deposits in restricted bank accounts and they will be utilised to compensate for the construction workers in case the contractors of the project companies failed to pay for the salaries of those workers. They will be released upon the completion of the property projects.

The Target Group's pledged/restricted deposits carry interest at prevailing market rates which range from 0.35% to 0.385%, 0.35% to 0.385%, 0.35% and 0.35% per annum at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively.

Bank balances and cash

The Target Group's bank balances carry interest at prevailing market rates which are 0.4%, 0.35%, 0.35% and 0.35% per annum at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	31,545	23,784	22,420	20,021
Retention payables	2,021	3,612	1,060	1,077
Interest payable	25,513	7,339	13,764	32,148
Other payables	9,642	9,096	6,979	5,243
Other tax payables	4,010	14,995	7,820	10,826
Deposit received	3,738	1,423	1,440	1,440
Accrued construction costs	20,930	16,683	80,131	72,091
Other accruals	2,001	4,622	3,828	1,600
	99,400	81,554	137,442	144,446

Trade payables mainly represent the payables to suppliers for construction work. The credit period for trade payables ranged from 0 to 30 days.

The following is an aged analysis of the Target Group's trade payables presented based on invoice date at the end of each reporting period:

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 60 days	16,609	13,367	8,433	2,760
61 to 180 days	10,863	7,460	4,080	4,635
181 to 365 days	2,594	211	6,350	3,286
Over 1 year	1,479	2,746	3,557	9,340
	31,545	23,784	22,420	20,021

22. BORROWINGS

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans, secured	665,698	348,909	—	—
Loans from third parties, secured *(note)*	1,095,993	1,370,000	1,495,128	1,496,679
Loan from a third party, unsecured	—	—	40,000	40,000
	1,761,691	1,718,909	1,535,128	1,536,679

Note: The loans from third parties represent the borrowings under trust and other arrangements which are secured by certain property development projects undertaken by the relevant subsidiaries or/and the ownership of the property project companies legally transferred to the lenders as collateral for borrowings and the Target Group has repurchase obligations at the maturity date of the loans and the repurchased amount is pre-determined in the financing agreements. The carrying amounts and details of the loans from third parties are set out in below.

Name of subsidiary	Loan financing arrangement	Note	Equity interest of property companies transferred to the lenders	The Target Group has repurchase obligations	Maturity date	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 30 April 2017
						RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hunan Weilong	Beijing Zangshan Financing Arrangement	*(i)*	Yes	Yes	August 2015	246,993	—	—	—
Hunan Zhonglv	Boshi Capital Financing Arrangement	*(ii)*	Yes	Yes	October 2016	400,000	290,000	—	—
Hunan Longxiang	Sichuan Trust Financing Arrangement	*(iii)*	Yes	Yes	April 2016	169,000	140,000	—	—
Hunan Fullsun	Zhuhai Oriental Financing Arrangement	*(iv)*	Yes	Yes	January 2017	—	500,000	—	—
Hunan Fullsun	2016 Daye Trust Financing Arrangement	*(v)*	Yes	Yes	December 2018	—	—	495,128	496,679
Hunan Weilong	N/A	*(vi)*	No	No	February 2018	—	160,000	—	—
Hunan Fullsun Group	N/A	*(vii)*	No	No	June 2016	280,000	280,000	—	—
Fuzhou Fullsun Group	N/A	*(viii)*	No	No	July 2018	—	—	1,000,000	1,000,000
Fuzhou Fullsun Group	N/A	*(ix)*	No	No	July 2018	—	—	40,000	40,000
						1,095,993	1,370,000	1,535,128	1,536,679

Notes:

(i) Beijing Zangshan Financing Arrangement

In July 2013, Hunan Fullsun Group, Hunan Weilong, Fujian Fusheng Group, Fusheng Group and Mr. Pan Weiming entered into a loan financing arrangement with a third party pursuant to which the third party provided loan financing to Hunan Weilong to finance its property project (the "**Beijing Zangshan Financing Arrangement**"). Under the Beijing Zangshan Financing Arrangement, 49% equity interest in Hunan Weilong held by Hunan Fullsun Group was transferred to the third party to secure the borrowing. Under Beijing Zangshan Financing Arrangement, Hunan Fullsun Group will repurchase the 49% equity interest in Hunan Weilong at a pre-determined amount after 2 years from the date Hunan Weilong obtained the loan financing. Hunan Fullsun Group maintained the control over Hunan Weilong and treated it as a wholly-owned subsidiary of the Target Company during the Track Record Period. Upon the maturity of the loan financing agreement in August 2015, Hunan Fullsun Group has repurchased 49% equity interest in Hunan Weilong from the third party at the predetermined amount.

(ii) Boshi Capital Financing Arrangement

On 31 October 2014, Hunan Fullsun Group entered into another financing arrangement with certain third parties pursuant to which the third parties provided loan financing to Hunan Zhonglv to finance its property project (the "**Boshi Capital Financing Arrangement**"). Under the Boshi Capital Financing Arrangement, 49% equity interest in Hunan Zhonglv was transferred to a third party to secure the borrowing and Hunan Fullsun Group will repurchase the 49% equity interest in Hunan Zhonglv at a pre-

determined amount after 2 years from the date Hunan Zhonglv obtained the loan financing. The Target Group maintained the control over Hunan Zhonglv during the Track Record Period and Hunan Zhonglv is considered to be 100% beneficially owned by the Target Company during the Track Record Period. In September 2016, Hunan Fullsun Group has fully repaid the loan and the 49% equity interest in Hunan Zhonglv has been transferred from the third party to Hunan Fullsun Group.

(iii) Sichuan Trust Financing Arrangement

In February 2014, Hunan Fullsun Group entered into a loan financing arrangement with a trust company pursuant to which the trust company provided loan financing to Hunan Longxiang to finance a property project (the "**Sichuan Trust Financing Arrangement**"). Under the Sichuan Trust Financing Arrangement, the trust company has obtained 49.15% equity interest in Hunan Longxiang as the collateral for the financing arrangement through the capital injection to Hunan Longxiang, with the remaining 50.85% equity interest in Hunan Longxiang held by Hunan Fullsun Group and Hunan Fullsun Group will repurchase the 49.15% equity interest in Hunan Longxiang at a pre-determined amount after 2 years from the date Hunan Longxiang obtained the loan financing. Hunan Fullsun Group maintained the control over Hunan Longxiang and it is considered as a wholly-owned subsidiary of the Target Company during the Track Record Period. In April 2016, Hunan Fullsun Group has fully repaid the loan and 49.15% equity interest in Hunan Longxiang has been transferred from the third party to Hunan Fullsun Group.

(iv) Zhuhai Oriental Financing Arrangement

On 31 December 2014, the shareholders of Hunan Fullsun and certain third parties entered into a loan financing arrangement pursuant to which the third parties provided loan financing to Hunan Fullsun to finance its property project (the "**Zhuhai Oriental Financing Arrangement**"). Under the Zhuhai Oriental Financing Arrangement, 48.2515% and 0.7485% equity interests in Hunan Fullsun held by Hunan Fullsun Group and Fujian Fusheng Group respectively were transferred to the third parties to secure the borrowing. Under a repurchase agreement, Hunan Fullsun Group will repurchase the 49% equity interest in Hunan Fullsun at a pre-determined amount after 2 years from the date Hunan Fullsun obtained the loan financing. Hunan Fullsun Group maintained the control over Hunan Fullsun and it is considered as a wholly-owned subsidiary of the Target Company during the Track Record Period. Upon the maturity of the Zhuhai Oriental Financing Arrangement, the 0.7485% equity interest in Hunan Fullsun will be transferred directly to Hunan Fullsun Group instead of Fujian Fusheng Group, in return Hunan Fullsun Group has paid back Fujian Fusheng Group for the 0.7485% capital contribution in Hunan Fullsun amounting to RMB3 million in June 2015 through the set off with the amount due from Fujian Fusheng Group. In December 2016, Hunan Fullsun Group has fully repaid the loan and the 49% equity interest in Hunan Fullsun has been transferred from the third party to Hunan Fullsun Group.

(v) 2016 Daye Trust Financing Arrangement

On 21 December 2016, the shareholders of Hunan Fullsun and certain third parties entered into a loan financing arrangement pursuant to which the third parties provided loan financing to Hunan Fullsun to finance its property project (the "**2016 Daye Trust Financing Arrangement**"). Under the 2016 Daye Trust Financing Arrangement, 49% equity interests in Hunan Fullsun held by Hunan Fullsun Group was transferred to the third parties to secure the borrowing. Hunan Fullsun Group will repurchase the 49% equity interest in Hunan Fullsun at a pre-determined amount after 2 years from the date Hunan Fullsun obtained the loan financing. Hunan Fullsun Group maintained the control over Hunan Fullsun and it is considered as a wholly-owned subsidiary of the Target Company during the Track Record Period. Upon the maturity of the 2016 Daye Trust Financing Arrangement, the 49% equity interest in Hunan Fullsun will be transferred directly to Hunan Fullsun Group.

(vi) The loan was provided by a trust company in June 2014, which was interest bearing at a fixed rate of 12% per annum and secured by properties under development for sale of the Target Group. The loan was guaranteed by Mr. Pan Weiming and Fusheng Group.

(vii) The loan is provided by a trust company in August 2015, which was interest bearing at a fixed rate of 13.5% per annum and secured by properties held for sale and equity interest in Hunan Weilong of the Target Group. In August 2016, Hunan Weilong had fully repaid the loan in advance.

(viii) The loan is provided by 蕪湖滙德叁號投資中心(有限合夥), an independent third party, and drawn down by the Target Group from April to July 2016, which is interest bearing at a fixed rate of 8% in the first year and 11% in the second year and secured by properties under development for sale and equity interest in Hunan Longxiang and Hunan Shengran of the Target Group, and also secured by properties held for sales in Hunan Weilong of the Target Group. The effective interest rate of the loan is 9.5% per annum.

(ix) The loan is provided by 福州俊豐金屬製品有限公司 an independent third party, in July 2016, which is unsecured and interest bearing at a fixed rate of 8% per annum.

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The borrowings are repayable:				
Within one year	561,783	1,058,909	—	500,000
More than one year, but not exceeding two years	1,199,908	500,000	1,535,128	1,036,679
More than two years but not exceeding five years	—	160,000	—	—
	1,761,691	1,718,909	1,535,128	1,536,679
Less: Amounts due within one year shown under current liabilities	(561,783)	(1,058,909)	—	(500,000)
Amounts due after one year	1,199,908	660,000	1,535,128	1,036,679

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate borrowings	19,319	—	—	—
Fixed rate borrowings	1,742,372	1,718,909	1,535,128	1,536,679
	1,761,691	1,718,909	1,535,128	1,536,679

The range of effective interest rates of borrowings at the end of each reporting period were as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
Effective interest rate (per annum):				
Variable-rate borrowings	5.8%–7.5%	N/A	N/A	N/A
Fixed-rate borrowings	6.2%–16.2%	12.0%–14.5%	8.0%–10.1%	8.0%–10.1%

All the Target Group's borrowings are denominated in RMB.

Details of pledge of the Target Group's assets and the guarantee provided by the related parties are set out in notes 29 and 33, respectively.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising form financing activities are those for which cash flows were, or the future cash flows will be, classified in the Target Group's consolidated statements of cash flows from financing activities.

			Non-cash changes																	
	1.1.2014	Financing cash flows (i)	Finance cost incurred during the year	Settlement for transfer of equity interest in Hunan Fullsun Group detailed in III-11 note (vi)	Settlement for transfer of equity interest in Fuzhou Fullsun Group detailed in III-10 note (v)	Disposal of Changsha Fusheng detailed in note 28	Set-off with other receivables, other payable and amounts due from related companies under set-off arrangement detailed in note 33(d)	31.12.2014	Financing cash flows (i)	Non-cash changes Finance cost incurred during the year	31.12.2015	Financing cash flows (i)	Non-cash changes Finance cost incurred during the year	31.12.2016	Financing cash flows (i)	Non-cash changes Finance cost incurred during the period	30.4.2017	1.1.2016	(Unaudited) Financing cash flow	(Unaudited) Non-cash changes Finance cost incurred during the period	(Unaudited) 30.4.2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest payable *(note 21)*	50,993	(204,620)	179,140	–	–	–	–	25,513	(290,297)	272,123	7,339	(203,441)	209,866	13,764	(35,299)	53,683	32,148	7,339	(56,568)	64,307	15,078
Borrowings *(note 22)*	1,580,997	180,694	–	–	–	–	–	1,761,691	(42,782)	–	1,718,909	(183,781)	–	1,535,128	–	1,551	1,536,679	1,718,909	171,727	–	1,890,636
Amounts due to related companies *(note 33)*	147,365	1,385,381	–	218,111	373	8,698	(1,540,124)	219,804	(219,804)	–	–	–	–	–	–	–	–	–	–	–	–
Amount due to immediate holding company *(note 16)*	–	–	–	–	–	–	–	–	310,793	–	310,793	13,970	–	324,763	4,463	–	329,226	310,793	160	–	310,953
Advances from third parties	–	655,944	–	–	–	–	(655,944)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	1,779,355	2,017,399	179,140	218,111	373	8,698	(2,196,068)	2,007,008	(242,090)	272,123	2,037,041	(373,252)	209,866	1,873,655	(30,836)	55,234	1,898,053	2,037,041	115,319	64,307	2,216,667

(i) The cash flows from borrowings, interest payable, advances from third parties and amounts due to related companies and immediate holding company make up the net amount of additions and repayment of borrowings, interest payable, advances from and repayment to third parties, related companies and immediate holding company and payment for transfer of equity interests in subsidiaries in the consolidated statements of cash flows.

23. PAID-IN CAPITAL

The Target Group

The issued capital of the Target Group at 31 December 2014, 2015 and 2016 and 30 April 2017 represents the share capital of the Target Company.

The Target Company

	Notes	**Number of shares**	**Share capital** *USD*
Ordinary shares of USD1 each			
Authorised:			
On date of incorporation and at 31 December 2014 and 31 December 2015 and 31 December 2016 and 30 April 2017	*(a)*	50,000	50,000
Issued:			
50,000 shares allotted and issued on 12 December 2014 and at 31 December 2014 and 31 December 2015 and 31 December 2016 and 30 April 2017	*(b)*	50,000	50,000
			RMB'000
Shown in the Historical Financial Information			305

Notes:

(a) The Target Company was incorporated in the BVI on 29 October 2014 with an authorised share capital of USD50,000 divided into 50,000 shares of USD1 each.

(b) On 12 December 2014, 50,000 shares of USD1 each was issued to the shareholder at par to provide the initial capital to the Target Company.

24. RESERVE OF THE TARGET COMPANY

	Accumulated losses *RMB'000*
At 29 October 2014, date of incorporation	—
Loss and total comprehensive expenses for the period	(13)
At 31 December 2014	(13)
Loss and total comprehensive expenses for the year	(8,626)
At 31 December 2015	(8,639)
Loss and total comprehensive expenses for the year	(12,643)
At 31 December 2016	(21,282)
Loss and total comprehensive expenses for the period	(2,361)
At 30 April 2017	(23,643)

25. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements during the Track Record Period:

	Tax losses *RMB'000*	Temporary differences on LAT provision *RMB'000*	Withholding tax of PRC subsidiaries *RMB'000*	Total *RMB'000*
At 1 January 2014	8,628	(7,429)	(1,030)	169
(Charge) credit to profit or loss	(8,188)	2,905	(2,149)	(7,432)
At 31 December 2014	440	(4,524)	(3,179)	(7,263)
Credit (charge) to profit or loss	665	(1,272)	(2,890)	(3,497)
At 31 December 2015	1,105	(5,796)	(6,069)	(10,760)
Credit (charge) to profit or loss	748	(690)	(1,289)	(1,231)
At 31 December 2016	1,853	(6,486)	(7,358)	(11,991)
Credit (charge) to profit or loss	1,273	(1,109)	(144)	20
At 30 April 2017	3,126	(7,595)	(7,502)	(11,971)

For the purpose of presentation in the consolidated statements of financial position, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	440	1,105	1,853	3,126
Deferred tax liabilities	(7,703)	(11,865)	(13,844)	(15,097)
	(7,263)	(10,760)	(11,991)	(11,971)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB127 million, RMB243 million, RMB295 million and RMB292 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively as the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Target Group had unutilised tax losses of approximately RMB29,205,000, RMB36,653,000, RMB14,452,000 and RMB22,484,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. A deferred tax asset has been recognised in respect of such tax losses of approximately RMB1,760,000, RMB4,420,000, RMB7,411,000 and RMB12,504,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams of the related property companies.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of each reporting period will expire in the following years:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2015	161	—	—	—
2016	262	262	—	—
2017	5,917	5,917	493	—
2018	9,940	9,940	288	288
2019	11,165	11,165	1,102	1,102
2020	—	4,949	201	201
2021	—	—	4,957	4,957
2022	—	—	—	3,432
	27,445	32,233	7,041	9,980

At 31 December 2015 and 2016 and 30 April 2017, the Target Group had unrecognised deductible temporary differences on LAT provision amounting to RMB35,288,000, RMB45,176,000 and RMB48,844,000, respectively. At 31 December 2014, the Target Group had no other significant unrecognised temporary differences. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

26. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of debt, which includes borrowings and amounts due to immediate holding company and related companies as disclosed in notes 22, 16 and 33, respectively and equity attributable to owners of the Target Company, comprising capital and reserves.

The management of the Target Group reviews the capital structure periodically. As a part of this review, the management reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. The management of the Target Group then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The management of the Target Company also balance its overall capital structure through issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Financial assets				
Financial asset at FVTPL	—	91,073	—	—
Loan and receivables (including cash and cash equivalents)	95,785	262,707	317,503	413,997
Financial liabilities				
Amortised cost	2,079,731	2,092,103	1,916,985	1,937,265
The Target Company				
Financial assets				
Loan and receivables (including cash and cash equivalents)	306	257	76	126
Financial liabilities				
Amortised cost	387	310,793	324,763	329,226

(b) Financial risk management objectives and policies

The Target Group's and the Target Company's major financial instruments include trade and other receivables, amount due from immediate holding company, financial asset at FVTPL, pledged/restricted bank deposits, bank balances and cash, trade and other payables, amounts due to immediate holding company and related companies and borrowings. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Target Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk management

The Target Group's activities expose primarily to the market risks of changes in interest rates. There has been no significant change to the Target Group's exposure to market risks or the manner in which it manages and measures the risk over the Track Record Period.

Interest rate risk management

The Target Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, pledged/restricted bank deposits, variable rate borrowings which carry at interest rates quoted by the People's Bank of China.

The Target Group is also exposed to fair value interest rate risk relates primarily to the fixed-rate borrowings. The Target Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

Sensitivity analysis on bank balances and pledged/restricted bank deposits is not presented as the management of the Target Group considers that the exposure to interest rate fluctuation is insignificant.

The sensitivity analysis below has been determined based on the exposure to interest rates for the above-mentioned variable-rate borrowings at the end of each reporting period which was assumed to be outstanding for the whole year/period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year/period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Target Group's interests on borrowing for the year/period would increase/decrease by RMB97,000 and nil and nil and nil for the years ended 31 December 2014, 2015 and 2016 and four months ended 30 April 2017, respectively. Taking into account the capitalisation of the finance costs in properties under development, there is no material impact on the Target Group's post-tax profit.

Foreign currency risk management

The Target Group's transactions are mainly conducted in Renminbi, and the monetary assets and liabilities of the Target Group which are denominated in currency other than the functional currency of the respective entities are insignificant. Hence, the Target Group does not have a foreign currency hedging policy as the exposure to foreign currency risk is minimal.

Credit risk management

As at 31 December 2014, 2015 and 2016 and 30 April 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Target Group in disclosed in note 32.

In order to minimise the credit risk, the Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The Target Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of purchasers and the trade debts will be recovered from the Housing Provident Fund Bureau.

The Target Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

For properties that are still under construction, the Target Group typically provides guarantees to banks in connection with the purchasers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 60% to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Target Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Target Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Target Group to the bank. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk on the financial guarantee issued by the Target Group in respect of certain loan facilities granted to the suppliers or contractors of the Target Group or its related companies is low because the counterparties have long term business relationship with the Target Group and have good reputation in the industry and have sound financial position.

The credit risk of other receivables is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Target Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Target Group reviews the recoverable amount of these receivables at the end of each reporting period to ensure adequate impairment losses are made for unrecoverable amounts.

Liquidity risk management

In the management of the liquidity risk, the Target Group monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Target Group relies on borrowings, amount due to immediate holding company and amounts due to related companies as a significant source of liquidity.

The contractual maturity of the financial liabilities of the Target Company at the end of each reporting period is all repayable on demand.

The following table details the Target Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity table

	Weighted average effective interest rate	On demand or within 60 days	61–180 days	181–365 days	1–2 years	2–5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2014								
Non-derivative financial liabilities								
Trade and other payables		67,663	—	230	828	—	68,721	68,721
Amounts due to related parties		249,319	—	—	—	—	249,319	249,319
Borrowings								
— fixed rate	12.28	35,797	367,718	333,896	1,287,818	—	2,025,229	1,742,372
— variable rate	5.96	195	389	16,612	4,009	—	21,205	19,319
Financial guarantees		479,385	91,000	25,000	—	—	595,385	—
		832,359	459,107	375,738	1,292,655	—	2,959,859	2,079,731

	Weighted average effective interest rate	On demand or within 60 days	61–180 days	181–365 days	1–2 years	2–5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015								
Non-derivative financial liabilities								
Trade and other payables		42,520	162	777	372	—	43,831	43,831
Amounts due to related parties		18,570	—	—	—	—	18,570	18,570
Amount due to immediate holding company		310,793	—	—	—	—	310,793	310,793
Borrowings — fixed rate	13.42	38,446	834,935	348,534	526,288	163,720	1,911,923	1,718,909
Financial guarantees		501,749	—	—	—	—	501,749	—
		912,078	835,097	349,311	526,660	163,720	2,786,866	2,092,103
As at 31 December 2016								
Non-derivative financial liabilities								
Trade and other payables		30,459	13,764	—	—	—	44,223	44,223
Amounts due to related parties		12,781	—	—	—	—	12,871	12,871
Amount due to immediate holding company		324,763	—	—	—	—	324,763	324,763
Borrowings — fixed rate	9.65	24,693	49,386	74,078	1,622,603	—	1,770,760	1,535,128
Financial guarantees		374,412	—	—	—	—	374,412	—
		767,198	63,150	74,078	1,622,603	—	2,527,029	1,916,985
As at 30 April 2017								
Non-derivative financial liabilities								
Trade and other payables		50,043	8,446	—	—	—	58,489	58,489
Amounts due to related parties		12,871	—	—	—	—	12,871	12,871
Amount due to immediate holding company		329,226	—	—	—	—	329,226	329,226
Borrowings — fixed rate	9.65	24,719	49,438	573,009	1,571,156	—	2,218,322	1,536,679
Financial guarantees		368,746	—	—	—	—	368,746	—
		785,605	57,884	573,009	1,571,156	—	2,987,654	1,937,265

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Target Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Target Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value measurements

The deposit designated at financial asset at FVTPL at 31 December 2015 was measured at fair value on a recurring basis and the fair value hierarchy is level 2. The fair value of the deposit represented the actual amount paid by the Target Group at the inception date of deposit which was on 31 December 2015.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

28. DISPOSAL OF A SUBSIDIARY

On 5 December 2014, Hunan Fullsun Group entered into sale and purchase agreement to dispose of its 97% entire equity interest in Changsha Fusheng, a subsidiary of Hunan Fullsun Group engaged in property management in the PRC, to an independent third party at a cash consideration of RMB4,850,000. On the same date, Qianlong Investment disposed of its 3% equity interest in Changsha Fusheng to the independent third party at a cash consideration of RMB150,000. Pursuant to an agreement dated 21 December 2014 entered into among Hunan Fullsun Group, Fujian Fusheng Group and the independent third party, the consideration receivable from the third party was set off against the amount due from Fujian Fusheng Group.

The net liabilities of Changsha Fusheng at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	50
Trade and other receivables	373
Amount due from a related company	8,698
Bank balances and cash	222
Trade and other payables	(9,672)
Net liabilities disposed of	(329)
Gain on disposal of a subsidiary:	
Total consideration	5,000
Net liabilities disposed of	329
Gain on disposal of subsidiary	5,329
Net cash outflow from disposal of a subsidiary:	
Total consideration	5,000
Less: amount received by Qianlong Investment	(150)
Less: set off against amount due from Fujian Fusheng Group	(4,850)
Less: bank balance and cash disposed of	(222)
	(222)

Changsha Fusheng had insignificant contributions to the Target Group's revenue, profit and cash flows during the year ended 31 December 2014 prior to the disposal.

29. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Target Group and the mortgage loans granted to the customers of the Target Group at the end of each reporting period and contractors of the Target Group at 31 December 2014. The principal amounts of bank loan borrowed by the contractors are RMB92 million at 31 December 2014. The pledge of assets for the contractors have been early released by the Target Group in 2015 before their maturity.

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits *(note 20)*	25,243	30,484	23,995	24,225
Properties under development for sale	1,613,986	1,284,503	1,065,202	1,065,202
Completed properties for sale	33,350	210,950	82,399	68,940
	1,672,579	1,525,937	1,171,596	1,158,367
Net assets of certain subsidiaries	244,192	213,436	303,688	345,634

30. OPERATING LEASE COMMITMENTS

The Target Group as lessee

The Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,426	1,330	1,381	2,021
In the second to the fifth year inclusive	1,204	4	6,867	7,104
More than five years	—	—	3,356	3,197
	2,630	1,334	11,604	12,322

Operating lease payments represent rentals payable by the Target Group for certain offices premises. Leases are negotiated for terms ranged from 2 years to 7 years with fixed rentals.

The Target Group as lessor

At the end of respective reporting periods, the Target Group had contracted with tenants for the following future minimum lease payments:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	663	4,106	3,809	3,320
In the second to the fifth year inclusive	6,796	13,451	10,130	8,774
Over five years	—	3,456	4,197	3,637
	7,459	21,013	18,136	15,731

31. OTHER COMMITMENTS

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments for property development contracted for but not provided in the Historical Financial Information	302,501	189,702	532,674	578,324

32. CONTINGENT LIABILITIES

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given in favour of banks for:				
— mortgage facilities granted to purchasers of the Target Group's properties *(note a)*	459,385	501,749	374,412	368,746
— bank loan facilities granted to third parties *(note b)*	136,000	—	—	—
	595,385	501,749	374,412	368,746

Notes:

a. The Target Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Target Group is responsible for the repayment of the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to the banks. The Target Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans. In the opinion of the directors of the Target Company, no provision for the guarantee contracts is made as the default risk is low and the fair value of the financial guarantee contracts is insignificant.

b. Certain loan facilities of the suppliers and contractors of the Target Group or its related companies were secured by the bank deposits of those suppliers and contractors, assets of the Target Group or jointly guaranteed by the Target Group, the Ultimate Controlling Shareholder and his close family members. The directors of the Target Company considered that the fair value of the financial guarantee is insignificant by using the valuation model where the main assumptions are the major financial ratios of the borrowers and the probability of default with reference to several publication issued by market well-known rating company. The guarantees by the Target Group have been either released upon maturity of the bank loan facilities or early released with the banks before 30 June 2015.

33. RELATED PARTY BALANCES AND TRANSACTIONS

(a) During the Track Record Period, the following parties are identified as related parties to the Target Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Pan Weiming	Ultimate Controlling Shareholder
Ms. Chen Weihong	Wife of Mr. Pan Weiming
Mr. Pan Jungang	Brother of Mr. Pan Weiming
Ms. Peng Kuidong	Wife of Mr. Pan Jungang
Tongda	Mr. Pan Weiming is the beneficial owner
福建六建集團有限公司	Mr. Pan Weiming is the beneficial owner
福建粵商投資有限公司	Mr. Pan Weiming is the beneficial owner
Fusheng Group	Mr. Pan Weiming is the beneficial owner
Fujian Fusheng Group	Mr. Pan Weiming is the beneficial owner
Prospering Assets Ltd.	Mr. Pan Weiming is the beneficial owner
福建閩長置業有限公司	Mr. Pan Weiming is the beneficial owner

(b) The Target Group had the following balances with related parties at the end of each reporting period:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Amounts due to related companies:				
Trade nature *(Note a)*				
福建六建集團有限公司	29,515	18,570	12,871	12,871
Non-trade nature *(Note b)*				
Fujian Fusheng Group	218,111	—	—	—
Prospering Assets Ltd.	873	—	—	—
福建閩長置業有限公司	820	—	—	—
	219,804	—	—	—
	249,319	18,570	12,871	12,871

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Amount due to a related company:				
Non-trade nature *(Note b)*				
Prospering Assets Ltd.	387	—	—	—

Notes:

a. Balances represent payable for construction works and the aging of the trade payable were over 90 days as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively.

b. Balances are of non-trade in nature, unsecured, interest-free and repayable on demand and have been settled in full before 31 December 2015.

(c) The Target Group entered into the following transactions with its related company during the Track Record Period:

Name of related party	Nature of transaction	Year ended 31 December			Four months ended	
		2014	2015	2016	30 April 2016	30 April 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
福建六建集團有限公司	Construction service	127,260	148,243	30,496	13,679	—

(d) During the Track Record Period, the Target Group provided and received cash advances to and from certain third parties, relating to the suppliers and contractors of certain related parties to meet the financing needs and maintain the working capital of the Target Group and the third parties. No loan contracts have been entered into with these third parties and the cash advances are non-interest-bearing, unsecured and repayable on demand. The cash flow effects of these advance to and from these third parties are disclosed in the consolidated statements of cash flows set out on page III-13. In order to reduce the credit risk of the Target Group and streamline the settlement process, the Target Group has entered into set-off agreements pursuant to which the non-trade balances of the Target Group with various third parties were transferred to the current accounts with certain related companies including Fujian Fusheng Group, Fusheng Group and 福建粵商投資有限公司 during the Track Record Period. The amounts involved under the set-off arrangement during the Track Record Period were as follows:

	Year ended 31 December			Four months ended	
	2014	2015	2016	30 April 2016	30 April 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other receivables	(1,220,307)	(4,700)	—	—	—
Other payables	655,944	—	—	—	—
Amounts due from related companies	(975,761)	4,700	—	—	—
Amounts due to related companies	1,540,124	—	—	—	—

(e) The related parties provided guarantee to the Target Group in favour of the lenders in respect of the loan facilities granted to the Target Group and the amount of loan facilities utilised by the Target Group at the end of each reporting period is as follows:

Name of related party	Nature	At 31 December			At 30 April
		2014	2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fusheng Group, Fujian Fusheng Group & Mr. Pan Weiming	Joint guarantee on borrowings	246,993	—	—	—
Fusheng Group & Mr. Pan Weiming	Joint guarantee on borrowings	626,908	628,909	—	—
Fusheng Group, Mr. Pan Weiming & Ms. Chen Weihong	Joint guarantee on borrowings	569,000	930,000	—	—
		1,442,901	1,558,909	—	—

(f) Remuneration of key management personnel, who are the top five highest paid employees of the Target Group, is as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	1,264	1,495	1,775	643	673
Performance related bonus	366	522	85	68	406
Retirement benefit contributions	23	64	72	25	25
	1,653	2,081	1,932	736	1,104

34. RETIREMENT BENEFITS PLANS

The employees of the Target Group are members of a state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions.

35. INTERESTS IN SUBSIDIARIES

At the date of this report, the Target Company has the following subsidiaries and their particulars are as follows:

Name of subsidiary	Place and date of establishment	Paid-up registered capital	Effective equity interest attributable to the Target Group at 31 December 2014	31 December 2015	31 December 2016	30 April 2017	Date of this report	Principal activities
福州福晟集團有限公司 (formerly known as "福州閩長物業管理有限公司") ("Fuzhou Fullsun Group") *(note)*	PRC 12 June 2001	US$50,000,000	100%	100%	100%	100%	100%	Investment holding
湖南福晟集團有限公司 ("Hunan Fullsun Group")	PRC 18 June 2008	RMB445,000,000	100%	100%	100%	100%	100%	Investment holding
湖南瑋隆房地產開發有限公司 ("Hunan Weilong")	PRC 13 November 2006	RMB400,000,000	100%	100%	100%	100%	100%	Property development
湖南中旅房地產發展有限公司 ("Hunan Zhonglv")	PRC 20 September 2007	RMB158,820,000	100%	100%	100%	100%	100%	Property development
湖南福晟房地產開發有限公司 ("Hunan Fullsun")	PRC 5 November 2009	RMB400,806,500	100%	100%	100%	100%	100%	Property development
湖南隆祥房地產開發有限公司 ("Hunan Longxiang")	PRC 23 August 2013	RMB59,000,000	100%	100%	100%	100%	100%	Property development
湖南晟冉房地產開發有限公司	PRC 23 August 2013	RMB30,000,000	100%	100%	100%	100%	100%	Property development
福建福晟閩長投資有限公司	PRC 15 April 2015	—	N/A	100%	100%	100%	100%	Inactive
福建福晟投資有限公司	PRC 15 April 2015	—	N/A	100%	100%	100%	100%	Inactive

Note: The Target Company has made further capital contribution of USD49,939,000 to Fuzhou Fullsun Group in April 2015 to May 2015 and the registered capital of Fuzhou Fullsun Group was increased from USD61,000 to USD50,000,000.

Except for Fuzhou Fullsun Group, all the other subsidiaries are indirectly held by the Target Company. All of the above subsidiaries are limited liability companies established in the PRC. The Target Company and its subsidiaries adopt 31 December as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its incorporation because it is incorporated in the jurisdiction where there is no statutory audit requirement. Except for Fuzhou Fullsun Group for the year ended 31 December 2014, no statutory financial statements have been prepared for other subsidiaries of the Target Company as they are not required to do so in the Hunan or Fujian province, the PRC. The statutory financial statements of Fuzhou Fullsun Group for the year ended 31 December 2014 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 福建華達會計師事務所有限公司, certified public accountants registered in the PRC.

36. EVENT AFTER THE RELEVANT PERIODS

No significant events after the Track Record Period occurred up to the date of this report.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 April 2017.

1. SUMMARY FINANCIAL INFORMATION OF THE GROUP

A summary of the results and the assets and liabilities of the Group as extracted from the Company's annual reports for the year ended 31 March 2017, 2016 and 2015 is set out below:

RESULTS

	For the years ended 31 March		
	2017	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000 (restated)*
CONTINUING OPERATIONS			
Turnover	257,892	231,261	190,616
(Loss)/profit before tax	(5,659)	(6,352)	(1,841)
Income tax	(257)	(478)	(608)
(Loss)/profit for the year from continuing operations	(5,916)	(6,830)	(2,449)
DISCONTINUING OPERATIONS			
(Loss)/profit for the year from discontinuing operations	1,608	(6,604)	3,895
(Loss)/profit for the year	(4,308)	(13,434)	1,446
Other comprehensive (loss)/income	(4,929)	(6,525)	167
Total comprehensive (loss)/income for the year	(9,237)	(19,959)	1,613
Attributable to:			
Owners of the Company	(8,976)	(19,655)	1,488
Non-controlling interests	(261)	(304)	125
	(9,237)	(19,959)	1,613
(Loss)/earnings per share			
From continuing and discontinuing operations			
Basic (HK cents per share)	(0.3)	(1.0)	0.1
Diluted (HK cents per share)	(0.3)	(1.0)	0.1

	As at 31 March		
	2017	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets	10,084	10,880	26,307
Current assets	46,728	43,705	153,789
Disposal group classified as held for sale	105,112	122,709	—
Current liabilities	(16,092)	(8,877)	(31,154)
Liabilities directly associated with the disposal group	(26,086)	(39,434)	—
Non-current liabilities	—	—	—
Net assets/(liabilities)	119,746	128,983	148,942
Attributable to:			
Owners of the Company	115,665	124,641	144,296
Non-controlling interests	4,081	4,342	4,646
Total equity	119,746	128,983	148,942

The Group have no exceptional or extraordinary items for each of the three years ended 31 March 2017, 2016 and 2015. The Company and its subsidiaries have not declared any dividends during the three years ended 31 March 2017, 2016 and 2015.

The auditors of the Company for the three years ended 31 March 2017 were ZHONGHUI ANDA CPA Limited. ZHONGHUI ANDA CPA Limited did not issue any qualified opinion on the consolidated financial statements of the Group for each of the financial years ended 31 March 2017 and 2016. However, it issued a qualified opinion on the consolidated financial statements of the Company for the year ended 31 March 2015. The qualified opinion issued by ZHONGHUI ANDA CPA Limited for the year ended 31 March 2015 is reproduced in the paragraph headed "1(A). Qualified opinion in the independent auditor's report" in this appendix.

1(A). QUALIFIED OPINION IN THE INDEPENDENT AUDITOR'S REPORT

The following is a reproduction of the qualified opinion issued by ZHONGHUI ANDA CPA Limited on the consolidated financial statements of the Company for the year ended 31 March 2015, which is contained in the annual report of the Company for the year ended 31 March 2015.

BASIS FOR QUALIFIED OPINION

Corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2014, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effect of the limitations on the scope of our audit, details of which are set out in our audit report dated 25 June 2014.

Any adjustments to the figures as described above might have a consequential effect on the Group's results and cash flows for the year ended 31 March 2014 and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures of the matter as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

I. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2017

Set out below is the auditors' report extracted from the annual report of the Company for the twelve months ended 31 March 2017.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
佑威國際控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of U-RIGHT International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 66, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Refer to notes 18, 20 and 21 to the consolidated financial statements.

The Group tested the amounts of trade receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balances of trade receivables and prepayments, deposits and other receivables of HK$83,136,000 and HK$32,288,000 as at 31 March 2017 respectively are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;

— Assessing the Group's relationship and transaction history with the customers and debtors;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers and debtors;

— Checking subsequent settlements from the customers and debtors; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables and prepayments, deposits and other receivables is supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company' s annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: **http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/**. This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353
Hong Kong, 29 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*7*	**257,892**	231,261
Cost of sales		**(251,953)**	(224,718)
Gross profit		**5,939**	6,543
Other income	*8*	**810**	4,339
Selling and distribution costs		**(4,149)**	(4,183)
Administrative expenses		**(8,259)**	(13,051)
Loss before tax		**(5,659)**	(6,352)
Income tax expense	*10*	**(257)**	(478)
Loss for the year from continuing operations		**(5,916)**	(6,830)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*13(b)*	**1,608**	(6,604)
Loss for the year	*11*	**(4,308)**	(13,434)
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(5,629)**	(6,025)
Fair value changes of available-for-sale financial assets		**700**	(500)
Total comprehensive expense for the year		**(9,237)**	(19,959)
(Loss)/profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations		**(5,916)**	(6,830)
Profit/(loss) from discontinued operations		**1,630**	(6,566)
		(4,286)	(13,396)
Non-controlling interests			
Loss from discontinued operations		**(22)**	(38)
		(4,308)	(13,434)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(8,976)**	(19,655)
Non-controlling interests		**(261)**	(304)
		(9,237)	(19,959)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
(Loss)/earning per share attributable to owners of the Company	*14*		
From continuing and discontinued operations			
Basic (HK cents per share)		**(0.3)**	(1.0)
Diluted (HK cents per share)		**(0.3)**	(1.0)
From continuing operations			
Basic (HK cents per share)		**(0.4)**	(0.5)
Diluted (HK cents per share)		**(0.4)**	(0.5)
From discontinued operations			
Basic (HK cents per share)		**0.1**	(0.5)
Diluted (HK cents per share)		**0.1**	(0.5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Non-current assets			
Property, plant and equipment	*16*	**2,325**	2,668
Investment properties	*17*	**7,759**	8,212
		10,084	10,880
Current assets			
Inventories	*19*	**37**	41
Trade receivables	*20*	**41,548**	35,354
Prepayments, deposits and other receivables	*21*	**1,266**	4,642
Bank and cash balances		**3,877**	3,668
		46,728	43,705
Disposal groups classified as held for sale	*18*	**105,112**	122,709
		151,840	166,414
Current liabilities			
Trade payables	*22*	**9,234**	1,112
Accruals and other payables		**6,856**	7,682
Current tax liabilities		**2**	83
		16,092	8,877
Liabilities directly associated with the disposal groups	*18*	**26,086**	39,434
		42,178	48,311
Net current assets		**109,662**	118,103
Total assets less current liabilities		**119,746**	128,983
NET ASSETS		**119,746**	128,983
Capital and reserves			
Share capital	*23*	**13,217**	13,217
Reserves		**102,448**	111,424
Equity attributable to owners of the Company		**115,665**	124,641
Non-controlling interests		**4,081**	4,342
TOTAL EQUITY		**119,746**	128,983

Approved by: **TANG Kwok Hung** *Director* **Ng Cheuk Fan Keith** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Investment revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	13,217	783,155	220	3,020	(446)	2,078	(656,948)	144,296	4,646	148,942
Total comprehensive expense for the year	–	–	–	–	(500)	(5,759)	(13,396)	(19,655)	(304)	(19,959)
At 31 March 2016	13,217	783,155	220	3,020	(946)	(3,681)	(670,344)	124,641	4,342	128,983
At 1 April 2016	13,217	783,155	220	3,020	(946)	(3,681)	(670,344)	124,641	4,342	128,983
Total comprehensive (expense)/income for the year	–	–	–	–	700	(5,390)	(4,286)	(8,976)	(261)	(9,237)
At 31 March 2017	13,217	783,155	220	3,020	(246)	(9,071)	(674,630)	115,665	4,081	119,746

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
Cash flows from operating activities		
(Loss)/profit before tax		
From continuing operations	**(5,659)**	(6,352)
From discontinued operations	**2,426**	(5,661)
Adjustments for:		
Depreciation	**359**	567
Interest income	**(16)**	(29)
Impairment on goodwill	**961**	9,364
Operating cash flows before working capital changes	**(1,929)**	(2,111)
Change in inventories	**2,440**	2,959
Change in trade receivables	**6,019**	(5,262)
Change in prepayments, deposits and other receivables	**2,679**	(6,018)
Change in trade payables	**(2,472)**	9,669
Change in accruals and other payables	**(2,341)**	7,298
Cash generated from operations	**4,396**	6,535
Tax paid	**(2,409)**	(1,234)
Interest received	**16**	29
Net cash generated from operating activities	**2,003**	5,330
Cash flows from investing activities		
Purchases of property, plant and equipment	**(71)**	(813)
Net cash used in investing activities	**(71)**	(813)
Net increase/(decrease) in cash and cash equivalents	**1,932**	4,517
Effect of foreign exchange rate changes	**(5,015)**	(5,373)
Cash and cash equivalents at beginning of year	**23,128**	23,984
Cash and cash equivalents at end of year	**20,045**	23,128
Analysis of cash and cash equivalents		
Bank and cash balances	**3,877**	3,668
Bank and cash balances included in disposal group classified as held for sale	**16,168**	19,460
	20,045	23,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL INFORMATION

U-RIGHT International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business in Hong Kong is Unit 2408, 24/F., World-wide House, 19 Des Voeux Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are trading and retailing of fashion garments, textiles and leathers, trading of construction materials and property investment.

In the opinion of the directors (the "Directors") of the Company, as at the 31 March 2017, Advance Lead International Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investments which are carried at their fair values. These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group (the "Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Land and buildings	5% or over the lease term whichever is shorter
Furniture, fixtures and equipment	18–33%
Leasehold improvement	20–45%
Machinery	9%
Motor vehicle	12.5–18%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income is recognised on a straight-line basis over the lease term.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000, and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories, investments, investment properties and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Management had made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, available-for-sale financial assets. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollars functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

As at 31 March 2017 and 2016, the Group did not have significant price risk.

Interest rate risk

As at 31 March 2017 and 2016, the Group did not have significant interest rate risk.

(b) Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, cash deposits with banks and maximum exposure of credit risk is equal to the carrying amounts of these financial assets. Cash and bank transactions counterparties are limited to financial institutions with good credit rating assigned by international credit-rating agencies.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 36% (2016: 38%) and approximately 99% (2016: 98%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Management consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(d) Financial risk management objectives and policies

Categories of financial instruments at 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
Trade and bill receivables	**83,136**	89,155
Deposits and other receivables	**32,119**	34,749
Bank and cash equivalents	**20,045**	23,129
	135,300	147,033

	2017	2016
	HK$'000	*HK$'000*
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and bill payables	**22,257**	24,729
Other payables and accurals	**4,498**	6,756
	26,755	31,485

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 March 2017:

	Fair value measurements using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2017**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Assets				
Available-for-sale financial assets included in disposal group classified as held for sale				
Listed securities in Hong Kong	**3,750**	**–**	**–**	**3,750**
Investment properties				
Commercial — PRC	**–**	**–**	**7,759**	**7,759**
Total recurring fair value measurements	**3,750**	**–**	**7,759**	**11,509**

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Assets				
Available-for-sale financial assets included in disposal group classified as held for sale				
Listed securities in Hong Kong	3,050	–	–	3,050
Investment properties				
Commercial — PRC	–	–	8,212	8,212
Total recurring fair value measurements	3,050	–	8,212	11,262

6. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties 2017 *HK$'000*
At beginning of year	**8,212**
Total loss recognised in other comprehensive income	**(453)**
At end of year	**7,759**

	Investment properties 2016 *HK$'000*
At beginning of year	8,711
Total gains recognised in profit or loss in other comprehensive income	(499)
At end of year	8,212

The total gains or losses recognised in other comprehensive income are presented in exchange differences on translation of foreign operations in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FAIR VALUE MEASUREMENTS (continued)

(c) Valuation techniques and inputs used in fair value measurements at 31 March 2017:

The Group's account manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The account manager reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the account manager and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	**Valuation technique**	**Inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2017** ***HK$'000***
Assets					
Investment properties — Commercial — PRC	Income Capitalization Approach	Monthly rent	RMB21,013 to RMB35,445 per month	Increase	**7,759**

Description	Valuation technique	Inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 *HK$'000*
Assets					
Investment properties — Commercial — PRC	Income Capitalization Approach	Monthly rent	RMB21,763 to RMB34,914 per month	Increase	8,212

During the two years, there were no changes in the valuation techniques used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

7. REVENUE

Revenue represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts and property rental income during the year are as follow:

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**432,375**	412,466
Property rental income	**269**	293
	432,644	412,759
Representing:		
— Continuing operations	**257,892**	231,261
— Discontinued operations *(note 13)*	**174,752**	181,498
	432,644	412,759

8. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income	**16**	29
Reimbursement expenses from the vendor of the proposed acquisition	**–**	3,810
Net foreign exchange gain	**107**	348
Others	**754**	909
	877	5,096
Representing:		
— Continuing operations	**810**	4,339
— Discontinued operations *(note 13)*	**67**	757
	877	5,096

9. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

Garment (discontinued operation)	—	Trading and retailing of fashion garments, textiles and leathers
Construction materials	—	Trading of construction materials
Property investment	—	Rental of commercial properties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. OPERATING SEGMENT INFORMATION (continued)

(a) The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include interest income on bank deposits, central administration costs, directors' salaries and finance costs. Segment assets do not include available-for-sale financial assets and bank and cash balances. Segment liabilities do not include certain accruals and other payables.

Information about reportable segment profit or loss, assets and liabilities are summarised as follow:

	Continuing operations			Discontinued operations	
	Construction materials	Property investment	Sub-total	Garment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2017					
Revenue from external customers	**257,623**	**269**	**257,892**	**174,752**	**432,644**
Segment result	**704**	**53**	**757**	**3,483**	**4,240**
Interest income on bank deposits					**16**
Unallocated income					**861**
Unallocated expenses					**(7,389)**
Loss from operations					**(2,272)**
Impairment on goodwill				**(961)**	**(961)**
Loss before tax					**(3,233)**
Income tax expense					**(1,075)**
Loss for the year					**(4,308)**
Depreciation and amortisation	**288**	**–**	**288**	**71**	**359**
Additions to segment non-current assets	**71**	**–**	**71**	**–**	**71**
As at 31 March 2017					
Segment assets	**41,549**	**7,850**	**49,399**	**90,734**	**140,133**
Unallocated assets					**21,791**
					161,924
Segment liabilities	**(9,276)**	**(24)**	**(9,300)**	**(26,089)**	**(35,389)**
Unallocated liabilities					**(6,789)**
					(42,178)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. OPERATING SEGMENT INFORMATION (continued)

(a) (continued)

	Continuing operations			Discontinued operations	
	Construction materials	Property investment	Sub-total	Garment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Revenue from external customers	230,968	293	231,261	181,498	412,759
Segment result	1,619	238	1,857	3,679	5,536
Interest income on bank deposits					29
Unallocated income					3,921
Unallocated expenses					(12,135)
Loss from operations					(2,649)
Impairment on goodwill				(9,364)	(9,364)
Loss before tax					(12,013)
Income tax expense					(1,421)
Loss for the year					(13,434)
Depreciation and amortisation	241	–	241	326	567
Additions to segment non-current assets	–	–	–	4	4
As at 31 March 2016					
Segment assets	35,354	8,347	43,701	103,989	147,690
Unallocated assets					29,604
					177,294
Segment liabilities	(1,968)	(17)	(1,985)	(39,581)	(41,566)
Unallocated liabilities					(6,745)
					(48,311)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information:

The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Revenue Year ended 31 March		Non-current assets As at 31 March	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Hong Kong	**–**	–	**571**	692
Mainland China	**257,892**	231,261	**9,513**	10,188
Total	**257,892**	231,261	**10,084**	10,880

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Construction materials segment		
Customer a	**36,152**	47,772
Customer b	**36,681**	37,724
Customer c	**11,866**[#]	29,931
Customer d	**27,860**	–
Customer e	**–**	25,754
Customer f	**33,296**	21,920[#]
	145,855	163,101

[#] Revenue from this customer did not exceed 10% of total revenue in the respective years. This amounts was shown for comparative purpose.

10. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**284**	319
Over-provision in prior years	**(20)**	(20)
Current tax — the PRC Enterprise Income Tax		
Provision for the year	**811**	1,122
	1,075	1,421
Representing:		
— Continuing operations	**257**	478
— Discontinued operations *(note 13)*	**818**	943
	1,075	1,421

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(3,233)**	(12,013)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**(533)**	(1,982)
Tax effect of expenses that are not deductible	**863**	2,554
Effect of different tax rates of subsidiaries operating in other jurisdictions	**262**	301
Over-provision in prior years	**(20)**	(20)
Tax effect of tax losses not recognised	**503**	568
	1,075	1,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2017	2016
	HK$'000	*HK$'000*
Cost of sales	**418,087**	397,492
Depreciation	**359**	567
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	**5,033**	5,821
— retirement benefits scheme contributions	**349**	442
	5,382	6,263
Auditor's remuneration	**850**	850
Net foreign exchange gain	**(107)**	(348)
Operating lease charges on land and buildings	**2,527**	2,343

12. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	2017			
	Fees	**Salaries and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors				
Mr. Ng Cheuk Fan, Keith *(Chairman)*	–	420	18	438
Mr. Tang Kwok hung *(Chief executive officer)*	–	720	18	738
Independent non-executive directors				
Mr. Xie Tom	120	–	–	120
Mr. Mak Ka Wing, Patrick	120	–	–	120
Mr. Chan Chi Yuen	120	–	–	120
	360	1,140	36	1,536

12. DIRECTORS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	2016			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Ng Cheuk Fan, Keith *(Chairman)*	–	420	18	438
Mr. Tang Kwok hung *(Chief executive officer)*	–	720	18	738
Independent non-executive directors				
Mr. Xie Tom	120	–	–	120
Mr. Mak Ka Wing, Patrick	120	–	–	120
Mr. Chan Chi Yuen	120	–	–	120
	360	1,140	36	1,536

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 March 2017 and 2016.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included 2 (2016: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2016: 3) individuals are set out below:

	2017	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefit-in-kind	**899**	1,116
Retirement benefit costs	**30**	45
	929	1,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

12. DIRECTORS' EMOLUMENTS (continued)

(b) Five highest paid individuals (continued)

The number of employees whose remuneration fell within the following band is as follows:

	2017	2016
Nil–HK$1,000,000	**3**	3

Based on the audited results of the Group for the two years ended 31 March 2017 and 2016, the Directors were not entitled to any of the performance-based discretionary bonus during the years.

No emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. DISCONTINUED OPERATIONS

The Group's discontinued operations represented the trading and retailing of fashion garments, textiles and leather segment operated by UR Group Limited and its subsidiaries (the "UR Group") and Alfreda Limited and its subsidiaries (the "Alfreda Group").

(a) On 27 October 2015, the Company entered into two sale and purchase agreements to dispose of the entire equity interest in the UR Group and Alfreda Group. The results of the UR Group and Alfreda Group under the business segment of trading and retailing of fashion garments, textiles and leather has been presented as discontinued operation, and the UR Group and Alfreda Group were classified as disposal group held for sale on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

13. DISCONTINUED OPERATIONS (continued)

(b) The profit/(loss) for the year from discontinued operation is analysed as follows:

	UR Group *HK$'000*	Alfreda Group *HK$'000*	Total *HK$'000*
2017			
Revenue *(note 7)*	**161,420**	**13,332**	**174,752**
Cost of sales	**(156,507)**	**(9,627)**	**(166,134)**
Gross profit	**4,913**	**3,705**	**8,618**
Other income *(note 8)*	**63**	**4**	**67**
Selling and distribution costs	**(1,844)**	**(865)**	**(2,709)**
Administrative expenses	**(1,114)**	**(1,475)**	**(2,589)**
Profit from operations	**2,018**	**1,369**	**3,387**
Impairment on goodwill	**–**	**(961)**	**(961)**
Profit before tax	**2,018**	**408**	**2,426**
Income tax expense *(note 10)*	**(406)**	**(412)**	**(818)**
Profit/(loss) for the year from discontinued operations	**1,612**	**(4)**	**1,608**
2016			
Revenue *(note 7)*	168,021	13,477	181,498
Cost of sales	(162,614)	(10,160)	(172,774)
Gross profit	5,407	3,317	8,724
Other income *(note 8)*	214	543	757
Selling and distribution costs	(1,875)	(754)	(2,629)
Administrative expenses	(1,160)	(1,989)	(3,149)
Profit from operations	2,586	1,117	3,703
Impairment on goodwill	–	(9,364)	(9,364)
Profit/(loss) before tax	2,586	(8,247)	(5,661)
Income tax expense *(note 10)*	(520)	(423)	(943)
Profit/(loss) for the year from discontinued operations	2,066	(8,670)	(6,604)

During the year, the UR Group and Alfreda Group received HK3,229,000 (2016: used HK$4,049,000) in respect of operating activities, paid HK$52,000 (2016: HK$4,000) in respect of investing activities and paid HK$3,500,000 (2016: nil) in respect of financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

14. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$4,286,000 (2016: HK$13,396,000) and the weighted average number of ordinary shares of 1,321,682,525 (2016: 1,321,682,525) in issue during the year.

Diluted earning per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2017 and 31 March 2016.

(b) From continuing operations

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$5,916,000 (2016: HK$6,830,000) and the weighted average number of ordinary shares of 1,321,682,525 (2016: 1,321,682,525) in issue during the year.

Diluted earning per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2017 and 31 March 2016.

(c) From discontinued operations

Basic earning/(loss) per share

The calculation of basic earning/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,630,000 (2016: loss for the year attributable to owners of the Company HK$6,566,000) and the weighted average number of ordinary shares of 1,321,682,525 (2016: 1,321,682,525) in issue during the year.

Diluted earning per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2017 and 31 March 2016.

15. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2017 and 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery	Motor vehicle	Leasehold improvement	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2015	2,173	70	435	1,403	674	4,755
Additions	–	–	–	534	279	813
Transferred to disposal group classified as held for sale	–	(60)	(410)	(1,227)	(631)	(2,328)
Exchange differences	(124)	(10)	(25)	(81)	(33)	(273)
At 31 March 2016 and 1 April 2016	2,049	–	–	629	289	2,967
Additions	–	–	–	–	71	71
Disposals	–	–	–	–	(24)	(24)
Exchange differences	(113)	–	–	(4)	(1)	(118)
At 31 March 2017	1,936	–	–	625	335	2,896
Accumulated depreciation:						
At 1 April 2015	51	63	314	1,019	464	1,911
Charge for the year	100	13	79	266	109	567
Transferred to disposal group classified as held for sale	–	(71)	(372)	(1,114)	(499)	(2,056)
Exchange differences	(5)	(5)	(21)	(63)	(29)	(123)
At 31 March 2016 and 1 April 2016	146	–	–	108	45	299
Charge for the year	94	–	–	125	69	288
Disposals	–	–	–	–	(4)	(4)
Exchange differences	(10)	–	–	(2)	–	(12)
At 31 March 2017	230	–	–	231	110	571
Carrying amount:						
At 31 March 2017	1,706	–	–	394	225	2,325
At 31 March 2016	1,903	–	–	521	244	2,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

17. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**8,212**	8,711
Exchange differences	**(453)**	(499)
At 31 March	**7,759**	8,212

Investment properties were revalued at 31 March 2017 and 2016 on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property (level 3) by DTZ Cushman & Wakefield Limited, an independent firm of chartered surveyors.

18. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALES

On 27 October 2015, the Company entered into two sale and purchase agreements to dispose of the entire equity interest in the UR Group and Alfreda Group. The assets and liabilities of the UR Group and Alfreda Group, have been classified as disposal groups classified as held for sale and are presented separately in the consolidated statement of financial position.

2017	**UR Group**	**Alfreda Group**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Property, plant and equipment	**75**	**90**	**165**
Available-for-sale financial assets	**3,750**	**–**	**3,750**
Goodwill	**–**	**11,205**	**11,205**
Inventories	**1,511**	**10,016**	**11,527**
Trade receivables	**39,962**	**1,626**	**41,588**
Prepayments, deposits and other receivables	**23,953**	**7,069**	**31,022**
Current tax assets	**15**	**–**	**15**
Bank and cash balances	**2,795**	**13,373**	**16,168**
	72,061	**43,379**	**115,440**
Less: Impairment loss recognized	**–**	**(10,328)**	**(10,328)**
Total assets associated with the disposal group	**72,061**	**33,051**	**105,112**
Trade and other payables, and total for liabilities associated with the disposal groups	**(14,673)**	**(11,413)**	**(26,086)**
Net assets of the disposal groups	**57,388**	**21,638**	**79,026**

At 31 March 2017, cumulative income or expense recognised in other comprehensive income relating to the disposal groups classified as held for sale amounted to a debit balance of HK$2,778,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALES (continued)

2016	UR Group *HK$'000*	Alfreda Group *HK$'000*	Total *HK$'000*
Property, plant and equipment	127	145	272
Available-for-sale financial assets	3,050	–	3,050
Goodwill	–	11,205	11,205
Inventories	1,496	12,467	13,963
Trade receivables	49,680	4,121	53,801
Prepayments, deposits and other receivables	22,843	7,482	30,325
Bank and cash balances	6,957	12,503	19,460
	84,153	47,923	132,076
Less: Impairment loss recognized	–	(9,367)	(9,367)
Total assets associated with the disposal group	84,153	38,556	122,709
Trade and other payables, and total for liabilities associated with the disposal groups	(27,659)	(11,775)	(39,434)
Net assets of the disposal groups	56,494	26,781	83,275

At 31 March 2016, cumulative income or expense recognised in other comprehensive income relating to the disposal groups classified as held for sale amounted to a debit balance of HK$659,000.

19. INVENTORIES

	2017 ***HK$'000***	2016 *HK$'000*
Merchandises	**37**	41

20. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 to 90 days of issuance. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
1–30 days	**41,548**	27,245
31–60 days	**–**	1,275
61–90 days	**–**	6,834
	41,548	35,354

At the end of the reporting period, there is no trade receivables which were past due but not impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Deposit	**1,158**	436
Prepayments	**96**	141
Other receivables	**12**	4,065
	1,266	4,642

22. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
1–30 days	**9,234**	1,112

23. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorized:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
1,321,682,525 ordinary shares of HK$0.01 each	**13,217**	13,217

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

24. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**–**	–
Current assets		
Other receivables	**654**	3,810
Due from subsidiaries	**89,330**	90,130
Bank balances	**984**	722
	90,968	94,662
Current liabilities		
Accruals and other payables	**6,725**	6,498
	6,725	6,498
Net current assets	**84,243**	88,164
Total assets less current liabilities	**84,243**	88,164
Capital and reserves		
Share capital	**13,217**	13,217
Reserves	**71,026**	74,947
TOTAL EQUITY	**84,243**	88,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

24. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(b) Reserves of the Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2015	783,155	40,358	3,020	(746,748)	79,785
Total comprehensive expense for the year	–	–	–	(4,838)	(4,838)
At 31 March 2016	783,155	40,358	3,020	(751,586)	74,947
At 1 April 2016	783,155	40,358	3,020	(751,586)	74,947
Total comprehensive expense for the year	–	–	–	(3,921)	(3,921)
At 31 March 2017	783,155	40,358	3,020	(755,507)	71,026

(c) Nature and purpose of reserves of the Group

(i) Share premium account

The application of the share premium account is governed by the Companies Act of Bermuda.

(ii) Statutory reserve

In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

25. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2017 and 31 March 2016.

26. COMMITMENTS

Lease commitments

As lessee

As at 31 March 2017, the total future minimum lease payments of the Group under noncancellable operating leases are payable as follows:

	2017	2016
	HK$'000	*HK$'000*
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**1,821**	1,967
— in the second to fifth years inclusive	**3,386**	223
	5,207	2,190

Operating lease payments represent rentals payable by the Group for certain of its offices and shop. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

As lessor

As at 31 March 2017, the Group had contracted with tenants for the following minimum lease payments:

	2017	2016
	HK$'000	*HK$'000*
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**169**	330
— in the second to fifth years inclusive	**490**	866
	659	1,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

27. EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this annual report, there is no important event affecting the Company and its subsidiaries which has occurred after the reporting period.

28. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name of the subsidiary	Place of incorporation/ registration/	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Croup		Principal activities
			2017	2016	
Direct subsidiaries:					
UR Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Alfreda Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Inactive
Yield Focus International Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Rosy Success Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Intelligent Lead Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Easy Yield Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (continued)

Name of the subsidiary	Place of incorporation/ registration/	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Croup 2017	2016	Principal activities
Indirect subsidiaries:					
Nano Garment Holdings Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
U-RIGHT Trading Development Limited	Hong Kong	HK$1	**100%**	100%	Trading of fashion garments and textiles
Fame Ace Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Inactive
Right Season Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Xiamen U-Right Garment Co., Ltd.	The PRC	US$240,000	**80%**	80%	Retailing of fashion garments and trading of textiles and leathers
Sino Hill Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Stand Fancy Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
立宜服裝（深圳）有限公司	The PRC	HK$1,000,000	**100%**	100%	Design, distribution and sale of fashion apparel
廈門優頤貿易有限公司	The PRC	RMB3,000,000	**100%**	100%	Retailing of fashion garments
Success Way Creation Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Cheng Run (Fujian) Business Management Co., Ltd	The PRC	RMB50,000,000	**100%**	100%	Property investment and retailing of fashion garments
Multi Success Trading Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Zhuo Hong (Fujian) Building Materials Trading Co., Ltd	The PRC	RMB30,000,000	**100%**	100%	Trading of building materials
All Treasure International Limited	Hong Kong	HK$1	**100%**	100%	Inactive

Note: Xiamen U-Right Garment Co. Ltd. is a sino foreign joint venture established in the PRC. 立宜服裝（深圳）有限公司, 廈門優頤貿易有限公司, Cheng Run (Fujian) Business Management Co., Ltd, Zhuo Hong (Fujian) Building Materials Trading Co., Ltd are wholly foreign-owned enterprises established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Xiamen U-Right Garment Co., Ltd.**	
	2017	2016
Principal place of business/country of incorporation	**PRC**	PRC
% of ownership interests/voting rights held by NCI	**20%/20%**	20%/20%
	HK$'000	*HK$'000*
At 31 March:		
Non-current assets	**2**	14
Current assets	**20,434**	22,267
Non-current liabilities	**–**	–
Current liabilities	**(30)**	(569)
Net assets	**20,406**	21,712
Accumulated NCI	**4,081**	4,342
Year ended 31 March:		
Revenue	**–**	–
Loss	**(113)**	(190)
Total comprehensive loss	**(1,305)**	(1,518)
Loss allocated to NCI	**(22)**	(38)
Dividends paid to NCI	**–**	–
Net cash (used in)/generated from operating activities	**(470)**	280
Net cash generated from investing activities	**–**	–
Net cash generated from financing activities	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(470)**	280

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017.

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2016

Set out below is the auditors' report extracted from the annual report of the Company for the twelve months ended 31 March 2016.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
佑威國際控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of U-RIGHT International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 66, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practising Certificate Number P06353
Hong Kong, 22 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000* (Restated)
Continuing operations			
Revenue	*7*	**231,261**	190,616
Cost of sales		**(224,718)**	(185,172)
Gross profit		**6,543**	5,444
Other income	*8*	**4,339**	128
Selling and distribution costs		**(4,183)**	(2,178)
Administrative expenses		**(13,051)**	(5,235)
Loss before tax		**(6,352)**	(1,841)
Income tax expense	*10*	**(478)**	(608)
Loss for the year from continuing operations		**(6,830)**	(2,449)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	*13(b)*	**(6,604)**	3,895
(Loss)/profit for the year	*11*	**(13,434)**	1,446
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(6,025)**	613
Fair value changes of available-for-sale financial assets		**(500)**	(446)
Total comprehensive (expense)/income for the year		**(19,959)**	1,613
(Loss)/profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations		**(6,830)**	(2,449)
(Loss)/profit from discontinued operations		**(6,566)**	3,793
		(13,396)	1,344
Non-controlling interests			
(Loss)/profit from discontinued operations		**(38)**	102
		(13,434)	1,446
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(19,655)**	1,488
Non-controlling interests		**(304)**	125
		(19,959)	1,613

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
			(Restated)
(Loss)/earning per share attributable to owners of the Company	*14*		
From continuing and discontinued operations			
Basic (HK cents per share)		**(1.0)**	0.1
Diluted (HK cents per share)		**(1.0)**	0.1
From continuing operations			
Basic (HK cents per share)		**(0.5)**	(0.2)
Diluted (HK cents per share)		**(0.5)**	(0.2)
From discontinued operations			
Basic (HK cents per share)		**(0.5)**	0.3
Diluted (HK cents per share)		**(0.5)**	0.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Non-current assets			
Property, plant and equipment	*16*	**2,668**	2,844
Investment properties	*17*	**8,212**	8,711
Available-for-sale financial assets	*18*	**–**	3,550
Goodwill	*19*	**–**	11,202
		10,880	26,307
Current assets			
Inventories	*21*	**41**	16,963
Trade receivables	*22*	**35,354**	83,893
Prepayments, deposits and other receivables	*23*	**4,642**	28,949
Bank and cash balances		**3,668**	23,984
		43,705	153,789
Disposal groups classified as held for sale	*20*	**122,709**	–
		166,414	153,789
Current liabilities			
Trade payables	*24*	**1,112**	15,060
Accruals and other payables		**7,682**	5,191
Current tax liabilities		**83**	10,903
		8,877	31,154
Liabilities directly associated with the disposal groups	*20*	**39,434**	–
		48,311	31,154
Net current assets		**118,103**	122,635
Total assets less current liabilities		**128,983**	148,942
NET ASSETS		**128,983**	148,942
Capital and reserves			
Share capital	*25*	**13,217**	13,217
Reserves		**111,424**	131,079
Equity attributable to owners of the Company		**124,641**	144,296
Non-controlling interests		**4,342**	4,646
TOTAL EQUITY		**128,983**	148,942

Approved by: **TANG Kwok Hung** *Director* **Ng Cheuk Fan Keith** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Investment revaluation reserve	Foreign currency translation reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014	13,217	783,155	220	3,020	–	1,488	(658,292)	142,808	4,521	147,329
Total comprehensive (expense)/income for the year	–	–	–	–	(446)	590	1,344	1,488	125	1,613
At 31 March 2015	13,217	783,155	220	3,020	(446)	2,078	(656,948)	144,296	4,646	148,942
At 1 April 2015	13,217	783,155	220	3,020	(446)	2,078	(656,948)	144,296	4,646	148,942
Total comprehensive (expense)/income for the year	–	–	–	–	(500)	(5,759)	(13,396)	(19,655)	(304)	(19,959)
At 31 March 2016	13,217	783,155	220	3,020	(946)	(3,681)	(670,344)	124,641	4,342	128,983

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
Cash flows from operating activities		
(Loss)/profit before tax		
From continuing operations	**(6,352)**	(1,841)
From discontinued operations	**(5,661)**	5,644
Adjustments for:		
Depreciation	**567**	689
Interest income	**(29)**	(26)
Fair value gain on investment properties	**–**	(22)
Impairment on goodwill	**9,364**	3,000
Operating cash flows before working capital changes	**(2,111)**	7,444
Change in inventories	**2,959**	(2,934)
Change in trade receivables	**(5,262)**	(29,245)
Change in prepayments, deposits and other receivables	**(6,018)**	2,024
Change in trade payables	**9,669**	(17,152)
Change in accruals and other payables	**7,298**	1,112
Cash generated from/(used in) operations	**6,535**	(38,751)
Tax paid	**(1,234)**	(1,896)
Interest received	**29**	26
Net cash generated from/(used in) operating activities	**5,330**	(40,621)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(813)**	(2,524)
Purchases of investment properties	**–**	(8,655)
Purchases of available-for-sale financial assets	**–**	(3,996)
Net cash used in investing activities	**(813)**	(15,175)
Net increase/(decrease) in cash and cash equivalents	**4,517**	(55,796)
Effect of foreign exchange rate changes	**(5,373)**	565
Cash and cash equivalents at beginning of year	**23,984**	79,215
Cash and cash equivalents at end of year	**23,128**	23,984
Analysis of cash and cash equivalents		
Bank and cash balances	**3,668**	23,984
Bank and cash balances included in disposal group classified as held for sale	**19,460**	–
	23,128	23,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

U-RIGHT International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 21/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Group's principal activities are trading and retailing of fashion garments, textiles and leathers, trading of construction materials and property investment.

In the opinion of the directors (the " Directors") of the Company, as at the 31 March 2016, Advance Lead International Limited (the "Controlling Shareholder"), a company incorporated in the British Virgin Islands, is the ultimate holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investments which are carried at their fair values. These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group (the "Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Land and buildings	5% or over the lease term whichever is shorter
Furniture, fixtures and equipment	18–33%
Leasehold improvement	20–45%
Machinery	9%
Motor vehicle	12.5–18%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income is recognised on a straight-line basis over the lease term.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 (before 1 June 2014: HK$25,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories, investments, investment properties and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Management had made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

5. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, available-for-sale financial assets. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollars functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. At 31 March 2016, if the share prices of the investments increase/decrease by 10%, the investment revaluation reserve would have been HK$305,000 (2015: HK$355,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

Interest rate risk

As at 31 March 2016, the Group did not have significant interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, cash deposits with banks and maximum exposure of credit risk is equal to the carrying amounts of these financial assets. Cash and bank transactions counterparties are limited to financial institutions with good credit rating assigned by international credit-rating agencies.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 38% (2015: 9%) and approximately 98% (2015: 24%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Management consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(d) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 March 2016:

	Fair value measurements using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2016**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Assets				
Available-for-sale financial assets included in disposal group classified as held for sale				
Listed securities in Hong Kong	**3,050**	**–**	**–**	**3,050**
Investment properties				
Commercial — PRC	**–**	**–**	**8,212**	**8,212**
Total recurring fair value measurements	**3,050**	**–**	**8,212**	**11,262**

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Assets				
Available-for-sale financial assets				
Listed securities in Hong Kong	3,550	–	–	3,550
Investment properties				
Commercial — PRC	–	–	8,711	8,711
Total recurring fair value measurements	3,550	–	8,711	12,261

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

6. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties 2016 *HK$'000*
At beginning of year	**8,711**
Total loss recognised	
in profit or loss (#)	**–**
in other comprehensive income	**(499)**
At end of year	**8,212**
(#) Included losses for assets held at end of report period	**–**

	Investment properties 2015 *HK$'000*
At beginning of year	–
Purchases	8,655
Total gains recognised in profit or loss	
in profit or loss (#)	22
in other comprehensive income	34
At end of year	8,711
(#) Included gains for liabilities held at end of report period	22

6. FAIR VALUE MEASUREMENTS (continued)

(c) Valuation techniques and inputs used in fair value measurements at 31 March 2016:

The Group's account manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The account manager reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the account manager and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	**Valuation technique**	**Inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2016** ***HK$'000***
Assets					
Investment properties — Commercial — PRC	Income Capitalization Approach	Monthly rent	RMB21,763 per month	Increase	**8,212**

Description	Valuation technique	Inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 *HK$'000*
Assets					
Investment properties — Commercial — PRC	Income Capitalization Approach	Monthly rent	RMB21,763 per month	Increase	8,711

During the two years, there were no changes in the valuation techniques used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. REVENUE

Revenue represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts and property rental income during the year are as follow:

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**412,466**	502,417
Property rental income	**293**	192
	412,759	502,609
Representing:		
— Continuing operations	**231,261**	190,616
— Discontinued operations *(note 13)*	**181,498**	311,993
	412,759	502,609

8. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income	**29**	26
Reimbursement expenses from the vendor of the proposed acquisition	**3,810**	–
Fair value gain on investment properties	**–**	22
Net foreign exchange gain	**348**	188
Others	**909**	2
	5,096	238
Representing:		
— Continuing operations	**4,339**	128
— Discontinued operations *(note 13)*	**757**	110
	5,096	238

9. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

Garment (discontinued operations)	—	Trading and retailing of fashion garments, textiles and leathers
Construction materials	—	Trading of construction materials
Property investment	—	Rental of commercial properties

(a) Segment profits or losses do not include interest income on bank deposits, impairment on goodwill, central administration costs, directors' salaries and finance costs. Segment assets do not include available-for-sale financial assets and bank and cash balances. Segment liabilities do not include certain accruals and other payables.

9. OPERATING SEGMENT INFORMATION (continued)

(a) (continued)

Information about reportable segment profit or loss, assets and liabilities are summarised as follow:

	Continuing operations			Discontinued operations	
	Construction materials	Property investment	Sub-total	Garment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Revenue from external customers	**230,968**	**293**	**231,261**	**181,498**	**412,759**
Segment result	**1,619**	**238**	**1,857**	**3,679**	**5,536**
Interest income on bank deposits					**29**
Unallocated income					**3,921**
Unallocated expenses					**(12,135)**
Loss from operations					**(2,649)**
Impairment on goodwill				**(9,364)**	**(9,364)**
Loss before tax					**(12,013)**
Income tax expense					**(1,421)**
Loss for the year					**(13,434)**
Depreciation and amortisation	**241**	**–**	**241**	**326**	**567**
Additions to segment non-current assets	**–**	**–**	**–**	**4**	**4**
As at 31 March 2016					
Segment assets	**35,354**	**8,347**	**43,701**	**103,989**	**147,690**
Unallocated assets					**29,604**
					177,294
Segment liabilities	**(1,968)**	**(17)**	**(1,985)**	**(39,581)**	**(41,566)**
Unallocated liabilities					**(6,745)**
					(48,311)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

9. OPERATING SEGMENT INFORMATION (continued)

(a) (continued)

	Continuing operations			Discontinued operations	
	Construction materials	Property investment	Sub-total	Garment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015					
Revenue from external customers	190,099	192	190,291	312,318	502,609
Segment result	2,303	99	2,402	8,857	11,259
Interest income on bank deposits					26
Unallocated expenses					(4,482)
Profit from operations					6,803
Impairment on goodwill				(3,000)	(3,000)
Profit before tax					3,803
Income tax expense					(2,357)
Profit for the year					1,446
Depreciation and amortisation	5	–	5	684	689
Additions to segment non-current assets	14	8,655	8,669	2,510	11,179
As at 31 March 2015					
Segment assets	35,334	8,898	44,232	109,863	154,095
Unallocated assets					26,001
					180,096
Segment liabilities	(1,188)	(127)	(1,315)	(29,097)	(30,412)
Unallocated liabilities					(742)
					(31,154)

9. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information:

The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Revenue Year ended 31 March		Non-current assets As at 31 March	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Hong Kong	**–**	–	**692**	3,550
Mainland China	**231,261**	190,616	**10,188**	25,757
Discontinued operations				
Hong Kong	**–**	–	**3,050**	–
Mainland China	**92,206**	97,129	**11,473**	–
The Philippines	**–**	18,305	**–**	–
Italy	**–**	1,938	**–**	–
United Arab Emirates	**89,292**	194,621	**–**	–
Consolidated total	**412,759**	502,609	**25,403**	29,307

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
Garment segment		
Customer a	**65,072**	97,210
Construction materials segment		
Customer b	**47,772**	28,788[#]
	112,844	125,998

[#] Revenue from this customer did not exceed 10% of total revenue in the respective years. This amounts was shown for comparative purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

10. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**319**	648
Over-provision in prior years	**(20)**	–
Current tax — the PRC Enterprise Income Tax		
Provision for the year	**1,122**	1,709
	1,421	2,357
Representing:		
— Continuing operations	**478**	608
— Discontinued operations *(note 13)*	**943**	1,749
	1,421	2,357

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(12,013)**	3,803
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**(1,982)**	627
Tax effect of expenses that are not deductible	**2,554**	1,143
Effect of different tax rates of subsidiaries operating in other jurisdictions	**301**	587
Over-provision in prior years	**(20)**	–
Tax effect of tax losses not recognised	**568**	–
	1,421	2,357

11. (LOSS)/PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2016	2015
	HK$'000	*HK$'000*
Cost of sales	**397,492**	477,234
Depreciation	**567**	689
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	**4,321**	6,540
— retirement benefits scheme contributions	**388**	648
	4,709	7,188
Auditor's remuneration	**850**	750
Net foreign exchange gain	**(348)**	(188)
Operating lease charges on land and buildings	**892**	1,959

12. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	2016			
	Fees	**Salaries and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors				
Mr. Ng Cheuk Fan, Keith *(Chairman)*	**–**	**420**	**18**	**438**
Mr. Tang Kwok hung *(Chief executive officer)*	**–**	**720**	**18**	**738**
Independent non-executive directors				
Mr. Xie Tom	**120**	**–**	**–**	**120**
Mr. Mak Ka Wing, Patrick	**120**	**–**	**–**	**120**
Mr. Chan Chi Yuen	**120**	**–**	**–**	**120**
	360	**1,140**	**36**	**1,536**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

12. DIRECTORS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	2015			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Ng Cheuk Fan, Keith *(Chairman)*	–	390	18	408
Ms. Yeung Sau Han, Agnes *(a)*	–	168	8	176
Mr. Tang Kwok hung *(Chief executive officer) (b)*	–	540	18	558
Independent non-executive directors				
Mr. Xie Tom	110	–	–	110
Mr. Mak Ka Wing, Patrick	110	–	–	110
Mr. Chan Chi Yuen	110	–	–	110
Non-executive directors				
Mr. Chung Wai Man *(c)*	47	–	–	47
	377	1,098	44	1,519

(a) resigned on 18 September 2014

(b) re-designated from executive director to chief executive officer on 18 September 2014

(c) resigned on 18 September 2014

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 March 2016 and 2015.

12. DIRECTORS' EMOLUMENTS (continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included 2 (2015: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2015: 3) individuals are set out below:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefit-in-kind	**1,116**	1,040
Retirement benefit costs	**45**	53
	1,161	1,093

The number of employees whose remuneration fell within the following band is as follows:

	2016	2015
Nil–HK$1,000,000	**3**	3

Based on the audited results of the Group for the two years ended 31 March 2016 and 2015, the Directors were not entitled to any of the performance-based discretionary bonus during the years.

No emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. DISCONTINUED OPERATIONS

The Group's discontinued operations for the year ended 31 March 2016 represented the trading and retailing of fashion garments, textiles and leather segment operated by UR Group Limited and its subsidiaries (the "UR Group") and Alfreda Limited and its subsidiaries (the "Alfreda Group").

(a) On 27 October 2015, the Company entered into two sale and purchase agreements to dispose of the entire equity interest in the UR Group and Alfreda Group. The results of the UR Group and Alfreda Group under the business segment of trading and retailing of fashion garments, textiles and leather has been presented as discontinued operations during the year ended 31 March 2016, and the UR Group and Alfreda Group were classified as disposal group held for sale on the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

13. DISCONTINUED OPERATIONS (continued)

(b) The loss for the year from discontinued operations is analysed as follows:

	UR Group *HK$'000*	Alfreda Group *HK$'000*	Total *HK$'000*
2016			
Revenue *(note 7)*	**168,021**	**13,477**	**181,498**
Cost of sales	**(162,614)**	**(10,160)**	**(172,774)**
Gross profit	**5,407**	**3,317**	**8,724**
Other income *(note 8)*	**214**	**543**	**757**
Selling and distribution costs	**(1,875)**	**(754)**	**(2,629)**
Administrative expenses	**(1,160)**	**(1,989)**	**(3,149)**
Profit from operations	**2,586**	**1,117**	**3,703**
Impairment on goodwill	**–**	**(9,364)**	**(9,364)**
Profit/(loss) before tax	**2,586**	**(8,247)**	**(5,661)**
Income tax expense *(note 10)*	**(520)**	**(423)**	**(943)**
Profit/(loss) for the year from discontinued operations	**2,066**	**(8,670)**	**(6,604)**
2015			
Revenue *(note 7)*	281,148	30,845	311,993
Cost of sales	(271,531)	(20,531)	(292,062)
Gross profit	9,617	10,314	19,931
Other income *(note 8)*	138	(28)	110
Selling and distribution costs	(2,162)	(2,997)	(5,159)
Administrative expenses	(1,269)	(4,969)	(6,238)
Profit from operations	6,324	2,320	8,644
Impairment on goodwill	–	(3,000)	(3,000)
Profit/(loss) before tax	6,324	(680)	5,644
Income tax expense *(note 10)*	(1,259)	(490)	(1,749)
Profit/(loss) for the year from discontinued operations	5,065	(1,170)	3,895

During the year, the UR Group and Alfreda Group received approximately HK$4,049,000 (2015: used HK$4,045,000) in respect of operating activities and paid approximately HK$4,000 (2015: HK$4,241,000) in respect of investing activities.

14. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) From continuing and discontinued operations

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss (2015: profit) for the year attributable to owners of the Company of approximately HK$13,396,000 (2015: HK$1,344,000) and the weighted average number of ordinary shares of 1,321,682,525 (2015: 1,321,682,525) in issue during the year.

Diluted earning per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2016 and 31 March 2015.

(b) From continuing operations

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$6,830,000 (2015: HK$2,449,000) and the weighted average number of ordinary shares of 1,321,682,525 (2015: 1,321,682,525) in issue during the year.

Diluted earning per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2016 and 31 March 2015.

(c) From discontinued operations

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss (2015: profit) for the year attributable to owners of the Company of approximately HK$6,566,000 (2015: HK$3,793,000) and the weighted average number of ordinary shares of 1,321,682,525 (2015: 1,321,682,525) in issue during the year.

Diluted earning per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 March 2016 and 31 March 2015.

15. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2016 and 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery	Motor vehicle	Leasehold improvement	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2014	–	70	433	1,122	585	2,210
Additions	2,164	–	–	274	86	2,524
Exchange differences	9	–	2	7	3	21
At 31 March 2015 and 1 April 2015	2,173	70	435	1,403	674	4,755
Additions	–	–	–	534	279	813
Transferred to disposal group classified as held for sale	–	(60)	(410)	(1,227)	(631)	(2,328)
Exchange differences	(124)	(4)	(25)	(81)	(39)	(273)
At 31 March 2016	2,049	6	–	629	283	2,967
Accumulated depreciation:						
At 1 April 2014	–	50	204	594	365	1,213
Charge for the year	51	13	109	419	97	689
Exchange differences	–	–	1	6	2	9
At 31 March 2015 and 1 April 2015	51	63	314	1,019	464	1,911
Charge for the year	100	13	79	266	109	567
Transferred to disposal group classified as held for sale	–	(71)	(372)	(1,114)	(499)	(2,056)
Exchange differences	(6)	(4)	(21)	(63)	(29)	(123)
At 31 March 2016	145	1	–	108	45	299
Carrying amount:						
At 31 March 2016	1,904	5	–	521	238	2,668
At 31 March 2015	2,122	7	121	384	210	2,844

17. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	**8,711**	–
Additions	**–**	8,655
Fair value gains	**–**	22
Exchange differences	**(499)**	34
At 31 March	**8,212**	8,711

Investment properties were revalued at 31 March 2016 and 31 March 2015 on the open market value basis by reference to market evidence of recent transactions for similar properties (level 3) by DTZ Cushman & Wakefield Limited, an independent firm of chartered surveyors.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**–**	3,550

19. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
Cost		
At beginning of year	**14,202**	14,202
Transferred to disposal group classified as asset held for sale	**(14,202)**	–
At 31 March	**–**	14,202
Accumulated impairment losses		
At beginning of year	**3,000**	–
Impairment loss recognised in the current year	**9,364**	3,000
Transferred to disposal group classified as asset held for sale	**(12,364)**	–
At 31 March	**–**	3,000
Carrying amount		
At 31 March	**–**	11,202

The Group acquired 100% equity interest of Sino Hill Group Limited ("Sino Hill") on 1 October 2011. This transaction has been accounted for by the acquisition method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

19. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the Sino Hill cash generating unit.

On 27 October 2015, the Company entered into a sale and purchase agreement to dispose the entire equity interest in Alfreda Limited, the shareholder of Sino Hill. The recoverable amounts of the CGUs are determined from the consideration of the disposal of the Alfreda Group.

20. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALES

On 27 October 2015, the Company entered into two sale and purchase agreements to dispose of the entire equity interest in the UR Group and Alfreda Group. The assets and liabilities of the UR Group and Alfreda Group, have been classified as disposal groups classified as held for sale and are presented separately in the consolidated financial position.

	UR Group	**Alfreda Group**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	127	145	272
Available-for-sale financial assets	3,050	–	3,050
Goodwill	–	14,202	14,202
Inventories	1,496	12,467	13,963
Trade receivables	49,680	4,121	53,801
Prepayments, deposits and other receivables	22,843	7,482	30,325
Bank and cash balances	6,957	12,503	19,460
	84,153	50,920	135,073
Less: Impairment loss recognised	–	(12,364)	(12,364)
Total assets associated with the disposal group	84,153	38,556	122,709
Trade and other payables, and total for liabilities associated with the disposal groups	(27,659)	(11,775)	(39,434)
Net assets of the disposal groups	56,494	26,781	83,275

At 31 March 2016, cumulative income or expense recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to a debit balance of HK$3,748,000.

21. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Merchandises	**41**	16,963

22. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 to 90 days of issuance. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
1–30 days	**27,245**	43,176
31–60 days	**1,275**	23,954
61–90 days	**6,834**	13,018
91–120 days	**–**	1,227
Over 120 days	**–**	2,518
Less: Impairments	**–**	–
	35,354	83,893

At the end of the reporting period, the trade receivables with the carrying amounts of approximately HK$nil (2015: HK$3,745,000) were past due but not impaired.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Deposit	**436**	5,200
Prepayments	**141**	269
Amounts due from non-controlling shareholders of a subsidiary *(note)*	**–**	18,936
Other receivables	**4,065**	4,544
	4,642	28,949

Note: The advance is unsecured, interest-free and has no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

24. TRADE PAYABLES

At the end of the reporting period, the ageing analysis of the trade payables is as follows:

	2016	2015
	HK$'000	*HK$'000*
1–30 days	**1,112**	1,222
31–60 days	**–**	10,583
61–90 days	**–**	1,109
91–120 days	**–**	1,016
Over 120 days	**–**	1,130
	1,112	15,060

25. SHARE CAPITAL

	2016	2015
	HK$'000	*HK$'000*
Authorized:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
1,321,682,525 ordinary shares of HK$0.01 each	**13,217**	13,217

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 31 March 2015.

26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**–**	–
Current assets		
Other receivables	**3,810**	47
Due from subsidiaries	**90,130**	85,963
Bank balances	**722**	7,732
	94,662	93,742
Current liabilities		
Accruals and other payables	**6,498**	740
	6,498	740
Net current assets	**88,164**	93,002
Total assets less current liabilities	**88,164**	93,002
Capital and reserves		
Share capital	**13,217**	13,217
Reserves	**74,947**	79,785
TOTAL EQUITY	**88,164**	93,002

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(b) Reserves of the Company

	Share premium	Contributed surplus	Capital reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014	783,155	40,358	3,020	(743,038)	83,495
Total comprehensive loss for the year	–	–	–	(3,710)	(3,710)
At 31 March 2015	783,155	40,358	3,020	(746,748)	79,785
At 1 April 2015	783,155	40,358	3,020	(746,748)	79,785
Total comprehensive loss for the year	–	–	–	(4,838)	(4,838)
At 31 March 2016	783,155	40,358	3,020	(751,586)	74,947

(c) Nature and purpose of reserves of the Group

(i) Share premium account

The application of the share premium account is governed by the Companies Act of Bermuda.

(ii) Statutory reserve

In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

27. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2016 and 31 March 2015.

28. COMMITMENTS

Lease commitments

As lessee

As at 31 March 2016, the total future minimum lease payments of the Group under noncancellable operating leases are payable as follows:

	2016	2015
	HK$'000	*HK$'000*
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**1,967**	72
— in the second to fifth years inclusive	**223**	32
	2,190	104

Operating lease payments represent rentals payable by the Group for certain of its offices and shop. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

As lessor

As at 31 March 2016, the Group had contracted with tenants for the following minimum lease payments:

	2016	2015
	HK$'000	*HK$'000*
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**330**	330
— in the second to fifth years inclusive	**866**	1,196
	1,196	1,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

29. EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this annual report, there is no important event affecting the Company and its subsidiaries which has occurred after the reporting period.

30. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name of the subsidiary	Place of incorporation/ registration/	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Croup		Principal activities
			2016	2015	
Direct subsidiaries:					
UR Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Alfreda Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Inactive
Yield Focus International Limited	Hong Kong	HK$1	**100%**	100%	Administration
Rosy Success Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Intelligent Lead Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Easy Yield Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding

30. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (continued)

Name of the subsidiary	Place of incorporation/ registration/	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Croup 2016	2015	Principal activities
Indirect subsidiaries:					
Nano Garment Holdings Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
U-RIGHT Trading Development Limited	Hong Kong	HK$1	**100%**	100%	Trading of fashion garments and textiles
Fame Ace Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Inactive
Right Season Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Xiamen U-Right Garment Co., Ltd.	The PRC	US$240,000	**80%**	80%	Retailing of fashion garments and trading of textiles and leathers
Sino Hill Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Stand Fancy Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
立宜服裝(深圳)有限公司	The PRC	HK$1,000,000	**100%**	100%	Design, distribution and sale of fashion apparel
廈門優頤貿易有限公司	The PRC	RMB3,000,000	**100%**	100%	Retailing of fashion garments
Success Way Creation Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Cheng Run (Fujian) Business Management Co., Ltd	The PRC	RMB50,000,000	**100%**	100%	Property investment and retailing of fashion garments
Multi Success Trading Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Zhuo Hong (Fujian) Building Materials Trading Co., Ltd	The PRC	RMB30,000,000	**100%**	100%	Trading of building materials
All Treasure International Limited	Hong Kong	HK$1	**100%**	100%	Inactive

Note: Xiamen U-Right Garment Co. Ltd. is a sino foreign joint venture established in the PRC. 立宜服裝(深圳)有限公司, 廈門優頤貿易有限公司, Cheng Run (Fujian) Business Management Co., Ltd, Zhuo Hong (Fujian) Building Materials Trading Co., Ltd are wholly foreign-owned enterprises established in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

30. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Xiamen U-Right Garment Co., Ltd.**	
	2016	2015
Principal place of business/country of incorporation	**PRC**	PRC
% of ownership interests/voting rights held by NCI	**20%/20%**	20%/20%
	HK$'000	*HK$'000*
At 31 March:		
Non-current assets	**14**	38
Current assets	**22,267**	24,682
Non-current liabilities	**–**	–
Current liabilities	**(569)**	(1,489)
Net assets	**21,712**	23,231
Accumulated NCI	**4,342**	4,646
Year ended 31 March:		
Revenue	**–**	59,741
(Loss)/profit	**(190)**	514
Total comprehensive (loss)/income	**(1,518)**	626
(Loss)/profit allocated to NCI	**(38)**	102
Dividends paid to NCI	**–**	–
Net cash generated/(used in) from operating activities	**280**	(2,225)
Net cash generated from investing activities	**–**	–
Net cash generated from financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**280**	(2,225)

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2016.

III. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2015

Set out below is the auditors' report extracted from the annual report of the Company for the twelve months ended 31 March 2015.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
佑威國際控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of U-RIGHT International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 65, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

Corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2014, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effect of the limitations on the scope of our audit, details of which are set out in our audit report dated 25 June 2014.

Any adjustments to the figures as described above might have a consequential effect on the Group's results and cash flows for the year ended 31 March 2014 and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures of the matter as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong, 26 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Revenue	*7*	**502,609**	334,600
Cost of sales		**(477,234)**	(289,625)
Gross profit		**25,375**	44,975
Other income	*8*	**238**	487
Selling and distribution costs		**(7,337)**	(10,695)
Administrative expenses		**(11,473)**	(17,301)
Profit from operations		**6,803**	17,466
Finance cost	*10*	**–**	(909)
Restructuring costs		**–**	(19,831)
Impairment on goodwill	*21*	**(3,000)**	–
Gain on debts discharged under the Scheme of Arrangement	*11*	**–**	1,403,594
Gain on disposal of a subsidiary	*12*	**–**	148,182
Profit before tax		**3,803**	1,548,502
Income tax expense	*13*	**(2,357)**	(4,159)
Profit for the year	*14*	**1,446**	1,544,343
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**613**	608
Fair value changes of available-for-sale financial assets		**(446)**	–
Total comprehensive income for the year		**1,613**	1,544,951
Profit for the year attributable to:			
Owners of the Company		**1,344**	1,543,182
Non-controlling interests		**102**	1,161
		1,446	1,544,343
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,488**	1,543,736
Non-controlling interests		**125**	1,215
		1,613	1,544,951
Earning per share attributable to owners of the Company	*16*		
Basic (HK cents per share)		**0.1**	204
Diluted (HK cents per share)		**0.1**	192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*18*	**2,844**	997
Investment properties	*19*	**8,711**	–
Available-for-sale financial assets	*20*	**3,550**	–
Goodwill	*21*	**11,202**	14,202
		26,307	15,199
Current assets			
Inventories	*22*	**16,963**	14,029
Trade receivables	*23*	**83,893**	54,649
Prepayments, deposits and other receivables	*24*	**28,949**	30,974
Bank and cash balances		**23,984**	79,215
		153,789	178,867
Current liabilities			
Trade payables	*25*	**15,060**	32,212
Accruals and other payables		**5,191**	4,082
Current tax liabilities		**10,903**	10,443
		31,154	46,737
Net current assets		**122,635**	132,130
NET ASSETS		**148,942**	147,329
Capital and reserves			
Share capital	*26*	**13,217**	13,217
Reserves		**131,079**	129,591
Equity attributable to owners of the Company		**144,296**	142,808
Non-controlling interests		**4,646**	4,521
TOTAL EQUITY		**148,942**	147,329

Approved by:

TANG Kwok Hung	**NG Cheuk Fan Keith**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Investment revaluation reserve	Foreign currency translation reserve	Retained profits / (accumulated losses)	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	356,936	614,493	220	3,020	–	934	(2,558,053)	(1,582,450)	3,306	(1,579,144)
Total comprehensive income for the year	–	–	–	–	–	554	1,543,182	1,543,736	1,215	1,544,951
Capital restructuring	(356,579)	–	–	–	–	–	356,579	–	–	–
Share subscription	9,700	135,800	–	–	–	–	–	145,500	–	145,500
Open offer	1,785	24,986	–	–	–	–	–	26,771	–	26,771
Transaction costs related to the open offer	–	(669)	–	–	–	–	–	(669)	–	(669)
Issue of shares to creditors	661	9,259	–	–	–	–	–	9,920	–	9,920
Issue of bonus shares	714	(714)	–	–	–	–	–	–	–	–
At 31 March 2014	13,217	783,155	220	3,020	–	1,488	(658,292)	142,808	4,521	147,329
At 1 April 2014	13,217	783,155	220	3,020	–	1,488	(658,292)	142,808	4,521	147,329
Total comprehensive (loss)/income for the year	–	–	–	–	(446)	590	1,344	1,488	125	1,613
At 31 March 2015	13,217	783,155	220	3,020	(446)	2,078	(656,948)	144,296	4,646	148,942

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before tax	**3,803**	1,548,502
Adjustments for:		
Depreciation	**689**	684
Finance cost	**–**	909
Interest income	**(26)**	(144)
Fair value gain on investment properties	**(22)**	–
Impairment on inventories	**–**	1
Impairment on goodwill	**3,000**	–
Gain on disposal of a subsidiary	**–**	(148,182)
Gain on debts discharged under the Scheme of Arrangement	**–**	(1,403,538)
Operating cash flows before working capital changes	**7,444**	(1,768)
Change in inventories	**(2,934)**	(1,026)
Change in trade receivables	**(29,245)**	8,104
Change in prepayments, deposits and other receivables	**2,024**	(10,738)
Change in trade payables	**(17,152)**	(199)
Change in accruals and other payables	**1,112**	(4,163)
Cash used in operations	**(38,751)**	(9,790)
Tax paid	**(1,896)**	(4,092)
Interest received	**26**	144
Net cash used in operating activities	**(40,621)**	(13,738)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(2,524)**	(454)
Purchases of investment properties	**(8,655)**	–
Purchases of available-for-sale financial assets	**(3,996)**	–
Net cash used in investing activities	**(15,175)**	(454)
Cash flows from financing activities		
Repayment of promissory notes	**–**	(20,000)
Repayment of fund from the Investor	**–**	(11,300)
Proceeds from the share subscription	**–**	145,500
Net proceeds from the open offer	**–**	26,102
Net cash outflow on scheme of arrangement	**–**	(56,907)
Net cash generated from financing activities	**–**	83,395
Net (decrease)/increase in cash and cash equivalents	**(55,796)**	69,203
Effect of foreign exchange rate changes	**565**	588
Cash and cash equivalents at beginning of year	**79,215**	9,424
Cash and cash equivalents at end of year	**23,984**	79,215
Analysis of cash and cash equivalents		
Bank and cash balances	**23,984**	79,215

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL INFORMATION

U-RIGHT International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 21/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At the request of the Company, trading in shares of the Company in the Stock Exchange had been suspended since 15 April 2015.

The Company is an investment holding company. The Group's principal activities are trading and retailing of fashion garments, textiles and leathers, trading of construction materials and property investment.

In the opinion of the directors (the "Directors") of the Company, as at the 31 March 2015, Advance Lead International Limited (the "Investor" and now the "Controlling Shareholder") a company incorporated in the British Virgin Islands, is the ultimate holding company. The Controlling Shareholder does not produce financial statements available for public use.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investments which are carried at their fair values. These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group (the "Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Land and buildings	5% or over the lease term whichever is shorter
Furniture, fixtures and equipment	18–33%
Leasehold improvement	20–45%
Machinery	9%
Motor vehicle	12.5–18%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income is recognised on a straight-line basis over the lease term.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 (before 1 June 2014: HK$25,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories, investment properties and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Management had made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Financial results of Xiamen U-Right (the "EJV")

In accordance with an agency agreement, the sales and purchase transactions of the EJV were carried out on the EJV's behalf by 石獅市意利王制衣發展有限公司 (for identification purpose, Shishi City Yiliwang Clothes Development Co., Ltd.) ("Shishi Yiliwang") and 廈門大騰工貿有限公司 (for identification purpose, Xiamen Dateng Industry Trade Limited) ("Xiamen Dateng"). Each of them holds 10% of the ownership interest in the EJV. The financial statements have been prepared on the basis that those sales and purchases from 1 April 2013 to 31 January 2014 have been included in the Group's results for the year ended 31 March 2014. In view of the various terms stipulated in the agency agreement, the directors regard such accounting treatments as appropriate. The agency agreement ended on 31 January 2014.

(b) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

(c) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through use.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(f) Impairment of goodwill

The Management reviews and determines whether goodwill is impaired at least on an annual basis. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$11,202,000 after an impairment loss of HK$3,000,000 was recognised during 2015. Details of the impairment loss calculation are provided in note 21 to financial statements.

5. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, available-for-sale financial assets. The activities of the Group expose it to a variety of financial risks:market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollars functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. At 31 March 2015, if the share prices of the investments increase/decrease by 10%/the investment revaluation reserve would have been HK$355,000 (2014: HK$nil) higher/lower, arising as a result of the fair value gain/loss of the investments.

Interest rate risk

As at 31 March 2015, the Group did not have significant interest rate risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, cash deposits with banks and maximum exposure of credit risk is equal to the carrying amounts of these financial assets. Cash and bank transactions counterparties are limited to financial institutions with good credit rating assigned by international credit-rating agencies.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 9% (2014: 31%) and approximately 24% (2014: 84%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Management consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(d) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

6. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 31 March 2015:

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Assets				
Available-for-sale financial assets				
Listed securities in Hong Kong	3,550	–	–	3,550
Investment properties				
Commercial — PRC	–	8,711	–	8,711
Total recurring fair value measurements	3,550	8,711	–	12,261

(b) Valuation techniques and inputs used in fair value measurements at 31 March 2015:

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2015
			HK$'000
Assets			
Investment properties — Commercial — PRC	Income Capitalization Approach	Unit market rent and reversionary yield	8,711

7. REVENUE

Revenue represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts and property rental income during the year are as follow:

	2015	2014
	HK$'000	*HK$'000*
Sales of goods	**502,417**	334,600
Property rental income	**192**	–
	502,609	334,600

8. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Interest income	**26**	144
Fair value gain on investment properties	**22**	–
Net foreign exchange gain	**188**	–
Reimbursement of restructuring expenses from the controlling shareholder	**–**	331
Others	**2**	12
	238	487

9. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

Garment	—	Trading and retailing of fashion garments, textiles and leathers
Construction materials	—	Trading of construction materials
Property investment	—	Rental of commercial properties

(a) The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include interest income on bank deposits, gain on disposal of subsidiaries, gain on debts discharged under the Scheme of Arrangement, central administration costs, directors' salaries, finance costs and impairment on goodwill. Segment assets do not include available-for-sale financial assets and bank and cash balances. Segment liabilities do not include certain accruals and other payables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. OPERATING SEGMENT INFORMATION (continued)

(a) (continued)

Information about reportable segment profit or loss, assets and liabilities are summarised as follow:

	Garment	Construction materials	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015				
Revenue from external customers	**312,318**	**190,099**	**192**	**502,609**
Segment result	**8,857**	**2,303**	**99**	**11,259**
Interest income on bank deposits				**26**
Unallocated expenses				**(4,482)**
Profit from operations				**6,803**
Impairment on goodwill				**(3,000)**
Profit before tax				**3,803**
Income tax expense				**(2,357)**
Profit for the year				**1,446**
Depreciation and amortisation	**684**	**5**	**–**	**689**
Additions to segment non-current assets	**2,510**	**14**	**8,655**	**11,179**
As at 31 March 2015				
Segment assets	**109,863**	**35,334**	**8,898**	**154,095**
Unallocated assets				**26,001**
				180,096
Segment liabilities	**(29,097)**	**(1,188)**	**(127)**	**(30,412)**
Unallocated liabilities				**(742)**
				(31,154)

9. OPERATING SEGMENT INFORMATION (continued)

(a) (continued)

	Garment *HK$'000*	Total *HK$'000*
Year ended 31 March 2014		
Revenue from external customers	334,600	334,600
Segment result	20,207	20,207
Interest income on bank deposits		144
Unallocated income and gains		331
Unallocated expenses		(3,216)
Profit from operations		17,466
Finance cost		(909)
Restructuring costs		(19,831)
Gain on debts discharged under the Scheme of Arrangement		1,403,594
Gain on disposal of a subsidiary		148,182
Profit before tax		1,548,502
Income tax expense		(4,159)
Profit for the year		1,544,343
Depreciation and amortisation	684	684
Additions to segment non-current assets	454	454
As at 31 March 2014		
Segment assets	114,797	114,797
Unallocated assets		79,269
		194,066
Segment liabilities	(46,034)	(46,034)
Unallocated liabilities		(703)
		(46,737)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information:

The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Revenue Year ended 31 March		Non-current assets As at 31 March	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**3,550**	–
Mainland China	**287,745**	212,940	**25,757**	15,199
The Philippines	**18,305**	1,939	**–**	–
Italy	**1,938**	–	**–**	–
United Arab Emirates	**194,621**	119,721	**–**	–
Consolidated total	**502,609**	334,600	**29,307**	15,199

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Construction materials segment		
Customer a	**97,210**	–

10. FINANCE COST

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years — promissory note	**–**	909
	–	909

11. GAIN ON SCHEME OF ARRANGEMENT

On 18 September 2013, all the conditions under the Scheme had been fulfilled, the indebtedness of the Company was fully released and discharged by way of a combination of cash payment of approximately HK$56,907,000 and issuance of 66,133,333 Company's shares at HK$0.15 per share.

	2014
	HK$'000
Debts discharged:	
Financial guarantee liabilities	1,118,325
Convertible notes	78,367
Due to deconsolidated subsidiaries	268,188
Accruals and other payables	5,541
	1,470,421
Satisfied by:	
Cash consideration	(56,907)
Issue of shares to creditors	(9,920)
	(66,827)
Gain on Scheme of Arrangement	1,403,594

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

12. GAIN ON DISPOSAL OF A SUBSIDIARY

On 18 September 2013, the Group fulfilled all the conditions under the Scheme pursuant to which the entire interest of Lucky Formosa International Group Limited ("Lucky Formosa"), a wholly owned subsidiary of the Company, was transferred to the nominee of the scheme administrators of the Scheme of Arrangement.

	Lucky Formosa *HK$'000*
Net liabilities of the subsidiary disposed:	
Accruals and other payables	42
Due to deconsolidated subsidiaries	148,140
Due to the Group	113,201
Net liabilities of the disposed subsidiary	261,383
Impairment of amount due from the Lucky Formosa	(113,201)
Gain on disposal of a subsidiary	148,182
Total consideration satisfied by cash	–
Net cash effect arising on disposal of a subsidiary	–

13. INCOME TAX EXPENSE

	2015 ***HK$'000***	2014 *HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**648**	414
Current tax — the PRC Enterprise Income Tax		
Provision for the year	**1,709**	3,745
	2,357	4,159

13. INCOME TAX EXPENSE (continued)

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2015	2014
	HK$'000	*HK$'000*
Profit before tax	**3,803**	1,548,502
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**627**	255,503
Tax effect of expenses that are not deductible/ (income that is not taxable)	**1,143**	(252,134)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**587**	790
	2,357	4,159

14. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2015	2014
	HK$'000	*HK$'000*
Cost of sales	**477,234**	289,625
Depreciation	**689**	684
Impairment on inventories	**–**	1
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	**6,540**	8,423
— retirement benefits scheme contributions	**648**	835
	7,188	9,258
Auditor's remuneration	**750**	700
Net foreign exchange (gain)/loss	**(188)**	58
Operating lease charges on land and buildings	**1,959**	2,053

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

15. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	2015			
	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Mr. Ng Cheuk Fan, Keith *(Chairman)*	**–**	**390**	**18**	**408**
Ms. Yeung Sau Han, Agnes *(a)*	**–**	**168**	**8**	**176**
Mr. Tang Kwok hung *(Chief executive officer) (b)*	**–**	**540**	**18**	**558**
Independent non-executive directors				
Mr. Xie Tom	**110**	**–**	**–**	**110**
Mr. Mak Ka Wing, Patrick	**110**	**–**	**–**	**110**
Mr. Chan Chi Yuen	**110**	**–**	**–**	**110**
Non-executive director				
Mr. Chung Wai Man *(c)*	**47**	**–**	**–**	**47**
	377	**1,098**	**44**	**1,519**

15. DIRECTORS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	2014			
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Ng Cheuk Fan, Keith *(Chairman)*	–	180	8	188
Ms. Yeung Sau Han, Agnes *(Chief executive officer)*	–	180	8	188
Mr. Tang Kwok hung	–	146	8	154
Independent non-executive directors				
Mr. Xie Tom	50	–	–	50
Mr. Mak Ka Wing, Patrick	50	–	–	50
Mr. Chan Chi Yuen	50	–	–	50
Non-executive director				
Mr. Chung Wai Man	50	–	–	50
	200	506	24	730

None of directors received any remuneration for the year ended 31 March 2014.

(a) resigned on 18 September 2014

(b) re-designated from executive director to chief executive officer on 18 September 2014

(c) resigned on 18 September 2014

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 March 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

15. DIRECTORS' EMOLUMENTS (continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included 2 (2014: 0) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2014: 5) individuals are set out below:

	2015	2014
	HK$'000	*HK$'000*
Salaries, allowances and benefit-in-kind	**1,040**	1,196
Retirement benefit costs	**53**	14
	1,093	1,210

The number of employees whose remuneration fell within the following bands is as follows:

	2015	2014
Nil – HK$1,000,000	**3**	5

Based on the audited results of the Group for the two years ended 31 March 2015 and 2014, the Directors were not entitled to any of the performance-based discretionary bonus during the years.

No emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,344,000 (2014: HK$1,543,182,000) and the weighted average number of ordinary shares of 1,321,682,525 (2014: 755,977,681) in issue during the year. The weighted average number of ordinary shares for the year ended 31 March 2014 for the purpose of calculating the basic earnings per share has been adjusted for the share consolidation, bonus issue and open offer of the Company during the last year.

Diluted earning per share

The diluted earnings per share are the same as the Company did not have any dilutive potential ordinary sharing during the year ended 31 March 2015.

For the year ended 31 March 2014, the calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,464,815,000 and the weighted average number of ordinary shares of 763,591,278, being the weighted average number of ordinary shares of 755,977,681 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 7,613,597 assumed to converted of the convertible notes outstanding at 1 April 2013.

17. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2015 and 2014.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery	Motor vehicle	Leasehold improvement	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2013	–	69	426	718	514	1,727
Additions	–	–	–	392	62	454
Exchange differences	–	1	7	12	9	29
At 31 March 2014 and 1 April 2014	–	70	433	1,122	585	2,210
Additions	2,164	–	–	274	86	2,524
Exchange differences	9	–	2	7	3	21
At 31 March 2015	2,173	70	435	1,403	674	4,755
Accumulated depreciation:						
At 1 April 2013	–	36	99	155	230	520
Charge for the year	–	13	103	437	131	684
Exchange differences	–	1	2	2	4	9
At 31 March 2014 and 1 April 2014	–	50	204	594	365	1,213
Charge for the year	51	13	109	419	97	689
Exchange differences	–	–	1	6	2	9
At 31 March 2015	51	63	314	1,019	464	1,911
Carrying amount:						
At 31 March 2015	2,122	7	121	384	210	2,844
At 31 March 2014	–	20	229	528	220	997

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
At 1 April	**–**	–
Additions	**8,655**	–
Fair value gains	**22**	–
Exchange differences	**34**	–
At 31 March	**8,711**	–

Investment properties were revalued at 31 March 2015 on the open market value basis by reference to market evidence of recent transactions for similar properties (level 2) by DTZ, an independent firm of chartered surveyors.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**3,550**	–

21. GOODWILL

	2015	2014
	HK$'000	*HK$'000*
Cost		
At 1 April and 31 March	**14,202**	14,202
Accumulated impairment losses		
At 1 April	**–**	–
Impairment loss recognised in the current year	**3,000**	–
At 31 March	**3,000**	–
Carrying amount		
At 31 March	**11,202**	14,202

The Group acquired 100% equity interest of Sino Hill Group Limited ("Sino Hill") on 1 October 2011. This transaction has been accounted for by the acquisition method of accounting.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the Sino Hill cash generating unit.

21. GOODWILL (continued)

The recoverable amounts of the CGUs are determined from value in use calculation.

The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecasted cash flows from the Sino Hill cash generating unit is 15%.

22. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Merchandises	**16,963**	14,030
Less: Impairments	**–**	(1)
	16,963	14,029

23. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 to 90 days of issuance. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	2015	2014
	HK$'000	*HK$'000*
1–30 days	**43,176**	25,358
31–60 days	**23,954**	1,492
61–90 days	**13,018**	24,747
91–120 days	**1,227**	2,172
Over 120 days	**2,518**	880
Less: Impairments	**–**	–
	83,893	54,649

At the end of the reporting period, the trade receivables with the carrying amounts of approximately HK$3,745,000 (2014: HK$3,052,000) were past due but not impaired. Approximately HK$1,227,000 and HK$2,518,000 (2014: HK$2,172,000 and HK$880,000) of which were falling within the ageing band from 91 to 120 days and over 120 days respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

23. TRADE RECEIVABLES (continued)

The gross amounts of the Group's trade receivables were denominated in the following currencies:

	2015	2014
	HK$'000	*HK$'000*
USD	**30,765**	28,233
RMB	**53,128**	26,416
	83,893	54,649

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Deposit	**5,200**	6,467
Prepayments	**269**	121
Amounts due from non-controlling shareholders of a subsidiary *(note)*	**18,936**	19,479
Other receivables	**4,544**	4,907
	28,949	30,974

Note: The advance is unsecured, interest-free and has no fixed repayment terms

25. TRADE PAYABLES

At the end of the reporting period, the ageing analysis of the trade payables is as follows:

	2015	2014
	HK$'000	*HK$'000*
1–30 days	**1,222**	19,993
31–60 days	**10,583**	1,465
61–90 days	**1,109**	8,889
91–120 days	**1,016**	1,865
Over 120 days	**1,130**	–
	15,060	32,212

25. TRADE PAYABLES (continued)

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	2015	2014
	HK$'000	*HK$'000*
USD	**10,583**	13,665
RMB	**4,477**	18,547
	15,060	32,212

26. SHARE CAPITAL

	2015	2014
	HK$'000	*HK$'000*
Authorized:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
1,321,682,525 ordinary shares of HK$0.01 each	**13,217**	13,217

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued	**Nominal value of shares issued** *HK$'000*
At 1 April 2013	**3,569,364,916**	356,936
Capital restructuring *(Note (i))*	**(3,533,671,267)**	(356,579)
	35,693,649	357
Share subscription *(Note (ii))*	**970,000,000**	9,700
Open offer *(Note (iii))*	**178,468,245**	1,785
Issue of shares to creditors *(Note (iv))*	**66,133,333**	661
Issue of bonus shares *(Note (v))*	**71,387,298**	714
At 31 March 2014, 1 April 2014 and 31 March 2015	**1,321,682,525**	13,217

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

26. SHARE CAPITAL (continued)

Notes:

(i) There was a capital restructuring of the Company effected on 23 August 2013 which comprised the following:

Share Consolidation

The share consolidation was implemented to consolidate every 100 issued Shares of par value of HK$0.10 each into 1 Consolidated Share of par value of HK$10.00 each.

Capital reduction

The capital reduction involved a reduction of the par value of every Consolidated Share from HK$10.00 to HK$0.01 and become a New Share.

Share Subdivision

The share subdivision was implemented to subdivide each of the authorized but unissued Shares into ten Subdivided Shares of par value of HK$0.01 each.

(ii) Share subscription

Completion of the share subscription took place on 18 September 2013 pursuant to which 970,000,000 subscription shares were issued to the Investor at the subscription price of HK$0.15 per subscription share with par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by HK$9,700,000 and its share premium account was increased by HK$135,800,000.

(iii) Open offer

Completion of the open offer took place on 18 September 2013 pursuant to which 178,468,245 offer shares were issued under the open offer on the basis of five offer shares for every one share held by the qualifying shareholders after completion of the capital restructuring at the subscription price of HK$0.15 per offer share with par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$1,785,000 and its share premium account was increased by approximately HK$24,986,000. The transaction costs related to the open offer was approximately HK$669,000.

(iv) Issue of shares to creditors

Pursuant to the Scheme of Arrangement as detailed in note 11, 66,133,333 Company's shares were issued to the nominee of the scheme administrators of the Scheme of Arrangement. Accordingly, the Company's share capital was increased by approximately HK$661,000 and its share premium account was increased by approximately HK$9,259,000.

(v) Issue of bonus shares

On 18 September 2013, 71,387,298 offer shares were issued under the bonus issue on the basis of two bonus shares for every one share held by the qualifying shareholders after completion of the capital restructuring. The Open Offer allows the Company to credit part of the net proceeds raised from the Open Offer in the sum of approximately HK$714,000 to the share premium account of the Company and apply such amount to pay up in full at par the Bonus Shares such that the Bonus Shares will be allotted, issued and credited as fully paid to the Qualifying Shareholders. Accordingly, the Company's issued share capital was increased by approximately HK$714,000 and its share premium account was decreased by approximately HK$714,000.

26. SHARE CAPITAL (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2015 and 2014.

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2015	2014
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**–**	–
Current assets		
Other receivables	**47**	47
Due from subsidiaries	**85,963**	49,772
Bank balances	**7,732**	47,593
	93,742	97,412
Current liabilities		
Accruals and other payables	**740**	700
	740	700
Net current assets	**93,002**	96,712
Total assets less current liabilities	**93,002**	96,712
Capital and reserves		
Share capital	**13,217**	13,217
Reserves	**79,785**	83,495
TOTAL EQUITY	**93,002**	96,712

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(b) Reserves of the Company

	Share premium	Contributed surplus	Capital reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	614,493	40,358	3,020	(2,480,902)	(1,823,031)
Total comprehensive income for the year	–	–	–	1,381,285	1,381,285
Capital restructuring	–	–	–	356,579	356,579
Share subscription	135,800	–	–	–	135,800
Open offer	24,986	–	–	–	24,986
Transaction costs related to the open offer	(669)	–	–	–	(669)
Issue of shares to creditors	9,259	–	–	–	9,259
Issue of bonus shares	(714)	–	–	–	(714)
At 31 March 2014	783,155	40,358	3,020	(743,038)	83,495
At 1 April 2014	783,155	40,358	3,020	(743,038)	83,495
Total comprehensive loss for the year	–	–	–	(3,710)	(3,710)
At 31 March 2015	783,155	40,358	3,020	(746,748)	79,785

(c) Nature and purpose of reserves of the Group

(i) Share premium account

The application of the share premium account is governed by the Companies Act of Bermuda.

(ii) Statutory reserve

In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(c) Nature and purpose of reserves of the Group (continued)

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

28. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2015 and 2014.

29. COMMITMENTS

Capital commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2015	2014
	HK$'000	*HK$'000*
Contracted but not provided for:		
Capital contribution to two subsidiaries	**55,287**	69,210

Lease commitments

As lessee

As at 31 March 2015, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2015	2014
	HK$'000	*HK$'000*
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**72**	1,485
— in the second to fifth years inclusive	**32**	2,308
	104	3,793

Operating lease payments represent rentals payable by the Group for certain of its offices and shop. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

29. COMMITMENTS (continued)

Lease commitments (continued)

As lessor

As at 31 March 2015, the Group had contracted with tenants for the following minimum lease payments:

	2015	2014
	HK$'000	*HK$'000*
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**330**	–
— in the second to fifth years inclusive	**1,196**	–
	1,526	–

30. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors and the senior management as disclosed in note 15(a) and all of the highest paid employees as disclosed in note 15(b), is as follows:

	2015	2014
	HK$'000	*HK$'000*
Fees	**377**	200
Salaries and allowances	**1,098**	506
Retirement benefit scheme contributions	**44**	24
	1,519	730

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

31. EVENTS AFTER THE REPORTING PERIOD

At the request of the Company, trading in shares of the Company had been suspended since 15 April 2015.

On 14 April 2015, the Company and a vendor (the "Vendor") who is a third party independent of the Company and its connected persons entered into an agreement (the "SP Agreement") pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of Vivalink Limited (the "Target Company"), together with its subsidiaries, and its shareholders' loan to the Target Company (the "Acquisition") for a total consideration of HK$2,368,016,828, which will be satisfied by the issue of new shares and promissory note of the Company. The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability and the Target Group is principally engaged in commercial and residential property sale and development in the PRC. Pursuant to the SP Agreement and being the conditions precedent to the completion, the Board, among other things, proposed to procure one or more placing agents to place Placing Shares and convertible bonds of the Company (the "Share Placing and CB Placing"); and enter into one or more sale and purchase agreements to dispose one or more of the Company's subsidiaries (the "Possible Disposals"). The Board is in the process of negotiating and finalising the terms of the placing agreements with placing agent(s) in respect of the Share Placing and CB Placing; and of the sale and purchase agreements with potential purchasers in respect of the Possible Disposals. Please refer to the Company's announcements on 24 April 2015 and 27 May 2015 for more details.

32. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name of the subsidiary	Place of incorporation/ registration	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Croup		Principal activities
			2015	2014	
Direct subsidiaries:					
UR Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Alfreda Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Inactive
Yield Focus International Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Rosy Success Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Intelligent Lead Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Easy Yield Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

32. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (continued)

Name of the subsidiary	Place of incorporation/ registration	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Croup 2015	2014	Principal activities
Indirect subsidiaries:					
Nano Garment Holdings Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
U-RIGHT Trading Development Limited	Hong Kong	HK$1	**100%**	100%	Trading of fashion garments and textiles
Fame Ace Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Inactive
Right Season Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Xiamen U-Right Garment Co., Ltd.	The PRC	US$240,000	**80%**	80%	Retailing of fashion garments and trading of textiles and leathers
Sino Hill Group Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Stand Fancy Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
立宜服裝(深圳)有限公司	The PRC	HK$1,000,000	**100%**	100%	Design, distribution and sale of fashion apparel
廈門優頤貿易有限公司	The PRC	RMB3,000,000	**100%**	100%	Retailing of fashion garments
Success Way Creation Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Cheng Run (Fujian) Business Management Co., Ltd	The PRC	RMB50,000,000	**100%**	100%	Property investment and retailing of fashion garments
Multi Success Trading Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Zhuo Hong (Fujian) Building Materials Trading Co., Ltd	The PRC	RMB30,000,000 (2014: RMB5,000,000)	**100%**	100%	Trading of building materials
All Treasure International Limited	Hong Kong	HK$1	**100%**	100%	Inactive

Note: Xiamen U-Right Garment Co. Ltd. is a sino foreign joint venture established in the PRC. 立宜服裝(深圳)有限公司, 廈門優頤貿易有限公司, Cheng Run (Fujian) Business Management Co., Ltd, Zhuo Hong (Fujian) Building Materials Trading Co., Ltd are wholly foreign-owned enterprises established in the PRC.

32. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Xiamen U-Right Garment Co., Ltd.**	
	2015	2014
Principal place of business/country of incorporation	**PRC**	PRC
% of ownership interests /voting rights held by NCI	**20%/20%**	20%/20%
	HK$'000	*HK$'000*
At 31 March:		
Non-current assets	**38**	65
Current assets	**24,682**	35,423
Non-current liabilities	**–**	–
Current liabilities	**(1,489)**	(12,883)
Net assets	**23,231**	22,605
Accumulated NCI	**4,646**	4,521
Year ended 31 March:		
Revenue	**59,741**	159,767
Profit	**514**	5,805
Total comprehensive income	**626**	7,237
Profit allocated to NCI	**102**	1,161
Dividends paid to NCI	**–**	–
Net cash (used in)/generated from operating activities	**(2,225)**	1,211
Net cash generated from investing activities	**–**	–
Net cash generated from financing activities	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(2,225)**	1,211

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2015.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

Set out below are the management discussion and analysis of the Group's operations for each of the three years ended 31 March 2017. The information set out below is principally extracted from the "Management Discussion and Analysis" section of the relevant annual reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated. These extracted materials speak as of the date they were originally published. The Company's prospects and intentions will have changed since that date, and the reader should therefore not place undue reliance on this information, particularly the information consisting of or relating to forward-looking or future statements.

For the year ended 31 March 2017

BUSINESS REVIEW

For the financial year ended 31 March 2017, the Group continued to engage in the operations with distinctive business lines, which being presented into two groups of operations: (1) trading of construction materials and property investment; (2) wholesale of garments and retail of fashion garments, textiles and leather; namely continuing operations and discontinued operations respectively.

On 14 April 2015, the Company and a vendor (the "**Vendor**") who is an independent third party of the Company and its connected persons entered into a sale and purchase agreement (as amended and supplemented by six supplemental agreements dated 27 October 2015, 23 February 2016, 28 July 2016, 28 October 2016, 26 January 2017 and 15 February 2017 respectively) (collectively the "**SP Agreement**") pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of Vivalink Limited (the "**Target Company**"), together with its subsidiaries, and its shareholders' loan owed to the Vendor (the "**Acquisition**") for an adjusted total consideration of HK$1,511,313,200, which will be satisfied by the issue of new shares, cash and/or promissory note.

The Acquisition constitutes: (i) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and (ii) a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules. In addition, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Company filed (i) the first new listing application with the Stock Exchange on 13 November 2015; (ii) the second new listing application with the Stock Exchange on 12 August 2016 and (iii) the third new listing application with the Stock Exchange on 23 March 2017. Please refer to the Company's announcements, among others, on 27 October 2015, 13 November 2015, 12 August 2016, 15 February 2017 and 23 March 2017 for more details.

Pursuant to the SP Agreement and being one of the condition precedent to the completion of the transactions contemplated under the SP Agreement, on 27 October 2015, the Company (as the vendor) and Qiu Wenzhong, an independent third party, (the "**UR Purchaser**") entered into an agreement (as amended and supplemented by five

supplemental agreements dated 23 February 2016, 29 July 2016, 28 October 2016, 26 January 2017 and 31 March 2017 respectively) (collectively the "**UR Disposal Agreement**") pursuant to which the Company has agreed to sell and the UR Purchaser has agreed to purchase the entire issued share capital of UR Group Limited and a shareholder's loan in the sum of approximately HK$18.56 million owed by the UR Group Limited and its subsidiaries to the Company for a total consideration of approximately HK$56.50 million. Please refer to the Company's announcements, among others, on 27 October 2015, 13 November 2015, 12 August 2016, 23 March 2017 and 31 March 2017 for more details.

Pursuant to the SP Agreement and being one of the conditions precedent to the completion of the transactions contemplated under the SP Agreement, on 27 October 2015, the Company (as the vendor) and Ma Weihong, an independent third party, (the "**Alfreda Purchaser**") entered into an agreement (as amended and supplemented by five supplemental agreements dated 23 February 2016, 28 July 2016, 28 October 2016, 26 January 2017 and 31 March 2017 respectively) (collectively the "**Alfreda Disposal Agreement**") pursuant to which the Company has agreed to sell and the Alfreda Purchaser has agreed to purchase the entire issued share capital of Alfreda Limited and an adjusted shareholder's loan in the sum of approximately HK$16.80 million owed by the Alfreda Limited and its subsidiaries to the Company for an adjusted total consideration of approximately HK$22.36 million. Please refer to the Company's announcements, among others, on 27 October 2015, 13 November 2015, 12 August 2016, 26 January 2017, 23 March 2017 and 31 March 2017 for more details.

During the year, China's economic growth has been continues undergoing a gradual slowdown, retail sector remained tough. For construction material, especially steel market experienced multiple rises and falls with an extended ranges of volatility in steel prices, and been affected by lingering pessimistic sentiments since 2015, buyers adopted a more cautious attitude and postponed their purchases. Globally, the economy remained challenging, rising geopolitical tensions has plagued the global economic development, imposed difficulties to the Company's garment business. The trying environment of the past two years impacted the performance of many companies with no exception. The Company has been taking very cautious step to manage the continuing and discontinued operations.

For the year ended 31 March 2017 ("**the Year**"), the Company recorded a turnover from the continuing operations of approximately HK$257.9 million (2016: approximately HK$231.3 million), and recorded loss before tax of approximately HK$5.66 million represented a slightly improved comparing to last year by 10.9% (2016: HK$6.3 million). Loss attributable to owners of the Company for the Year is approximately HK$5.9 million (2016: HK$6.8 million). Gross profit margin remained steady for the continuing operations of approximately 2.3% compared to 2016 2.8%, and benefits from, among others, the closure of the Third Party Notice litigation, and streamlined other operating expenditure, total of administrative expense for the continuing operations decreased to approximately HK$8.2 million (2016: HK$13.1 million). Basic loss per share from the continuing operations is HK cents 0.40 (2016: HK cents 0.5).

The Company recorded a turnover from the discontinued operations as a whole for the Year of approximately HK$174.8 million (2016: approximately HK$181.5 million), and recorded profit before goodwill impairment and tax of approximately HK$3.4 million marginally remained steady comparing to last year (2016: HK$3.7 million). Profit attributable to owners of the Company for the Year is approximately HK$1.6 million (2016: loss attributable to owners of the Company HK$6.6 million). The Gross profit margin of the discontinued operations slightly increased to 4.9% (2016: 4.8%). Basic earning per share from the discontinued operations is HK cents 0.1 (2016: basic loss per share HK cents 0.5).

And the total basic loss per share for the Year amounted to HK cents 0.3 (2016: HK cents 1) for the Group as a whole including the continuing operations and discontinued operations.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2017 (2016: nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2017, the Group had total assets of approximately HK$161,924,000 including continuing and discontinued operations (2016: approximately HK$177,294,000), comprising bank and cash balances of approximately HK$20,045,000 (2016: approximately HK$23,128,000). The Group's current ratio, calculated as current assets of approximately HK$151,840,000 (2016: approximately HK$166,414,000) over current liabilities of approximately HK$42,178,000 (2016: approximately HK$48,311,000), increased to 3.60 as at 31 March 2017 (2016: 3.44).

Foreign currency management

Most of the Group's transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the Group entities. Therefore, the Group believes it faces minimal foreign currency risk and thus has not undertaken any hedging activities.

Capital commitment

The Group had capital commitments, which are contracted but not provided for, in respect of the capital contribution to two subsidiaries amounting to approximately HK$49,236,000 as at 31 March 2017 (2016: approximately HK$52,109,000).

Pledge of Assets and Contingent Liabilities

The Group had no significant pledge of assets nor contingent liabilities as at 31 March 2017 and 31 March 2016.

CAPITAL STRUCTURE

At the both years ended 31 March 2017 and 31 March 2016, the Company comprise of 1,321,682,525 issued shares with par value of HK$0.01.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

Save as disclosed, in the paragraph of "Business Review" in this section, the Group did not have any material acquisition, disposal or investment for the year ended 31 March 2017.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2017, the Group had approximately 61 employees. For the year ended 31 March 2017, the total staff costs including the Directors' emolument was approximately HK$5,382,000 (2016: HK$6,263,000). Remuneration of the employees is determined by reference to the market terms and commensurates with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

PROSPECTS

In view of the challenging economic and market environment, the Board will continue to hold a very cautious stance keeping the existing business lines viable. The Board also has been continuously exploring different investment opportunities to diversify and broaden its earning base. And the Board believes that the approach of optimizing the scope of business for the Group enhances the Company's value to shareholders.

For the year ended 31 March 2016

BUSINESS REVIEW

The Group's results for the year ended 31 March 2016 were mainly derived from the businesses of wholesale of garments and retail of fashion garments, textiles and leather, and the newly developed trading business of construction materials in recent two years.

During the reporting year, the global economy remained challenging and volatile, (1) insufficient global demand and shift of procurement activities away from China, which with most significant impact on the Group's garment trading business with the Middle East market; (2) China's economic growth has been undergoing a gradual slowdown in the past few years following consistent and rapid expansion for more than two decades; (3) severe competition in retail sector and consumer purchase habit has changed as the internet business irreversibly robust.

All abovementioned factors imposed more challenge to the Group existing wholesale and retail of garment business. In view of further enhance returns to the Shareholders, after successfully expanded business in trading of construction materials, the management of the Group had strategically taken further initiates to expand the business of portfolio of the Group. The Company entered into a sales and purchase agreement and two disposal agreements during year:

On 14 April 2015, the Company and a vendor (the "**Vendor**") who is an independent third party of the Company and its connected persons entered into a sale and purchase agreement (as amended and supplemented by two supplemental agreements dated 27 October 2015 and 23 February 2016 respectively) (collectively the "**SP Agreement**") pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of Vivalink Limited (the "**Target Company**"), together with its subsidiaries, and its shareholders' loan owed to the Vendor (the "**Acquisition**") for a total consideration of HK$1,942,854,000, which will be satisfied by the issue of new shares, issue of convertible bonds, cash and/or promissory note. The Acquisition constitutes: (i) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and (ii)a reverse takeover for the Company under Rule 14.06(a) of the Listing Rules. In addition, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Company filed the new listing application with the Stock Exchange on 13 November 2015. Please refer to the Company's announcements on 27 October 2015, 13 November 2015 and 23 February 2016 for more details.

Pursuant to the SP Agreement and being one of the condition precedent to the completion of the transactions contemplated under the SP Agreement, on 27 October 2015, the Company (as the vendor) and Qiu Wenzhong, an independent third party, (the "**UR Purchaser**") entered into an agreement (as amended and supplemented by a supplemental agreement date 23 February 2016) (collectively the "**UR Disposal Agreement**") pursuant to which the Company has agreed to sell and the UR Purchaser has agreed to purchase the entire issued share capital of UR Group Limited and a shareholder's loan in the sum of approximately HK$18.56 million owed by the UR Group Limited and its subsidiaries to the Company for a total consideration of approximately HK$56.50 million. Please refer to the Company's announcements on 27 October 2015, 13 November 2015 and 23 February 2016 for more details.

The management of the Group considered it is appropriated to separately report the results of the existing businesses into two categories according to the applicable financial reporting standard, namely "continuing operations" for the remaining business mainly for trading of construction materials, and "discontinuing operations" for the business of wholesale of garments and retail of fashion garments, textiles and leather that under disposal, subsequent to the UR Disposal Agreement and Alfreda Disposal Agreement were entered into by the Company.

For the year ended 31 March 2016 (the "**Year**"), the Group recorded a turnover from the continuing operations of approximately HK$231.3 million (31 March 2015 (restated): approximately HK$190.6 million), and the Year of gross profit margin

remained steady for the continuing operations of approximately 2.8% compared to last year (restated), selling and administrative expense also increased, among others the one-off professional legal cost for the Third Party Notice litigation proceeding incurred during Year, aggregately resulted loss for the Year from the continuing operations approximately HK$6.8 million (31 March 2015 (restated): approximately HK$2.4 million loss). Continuing operations loss attributable to the owners of the Company for the Year amounted to approximately HK$6.8 million (31 March 2015 (restated): approximately HK$2.4 million). Basic loss per share from the continuing operations increased from HK cents 0.2 for the last year ended 31 March 2015 to HK cents 0.5 for the Year.

With the critical reasons aforementioned, a significant decline of the turnover from the discontinuing operations from HK$312.0 million for the last year ended 31 March 2015 to HK$181.5 million for the Year. And the gross profit margin also dropped from approximately 6.4% last year to approximately 4.8% for the Year. Among others, a substantial impairment of goodwill due to disposal agreements entered approximately HK$9.4 million being recognised for the Year (31 March 2015: approximately HK$3 million), resulting discontinuing operations loss attributable to the owners of the Company for the Year amounted to approximately HK$6.6 million (31 March 2015: attributable operations profit approximately HK$3.9 million). Basic loss per share from the discontinuing operations recorded HK cents 0.5 for the Year compared basic earning per share of HK cents 0.3 for the last year that ended 31 March 2015.

In light of the weakened market and the disposal decision of garment business, the Group has been under the transformation to the business of rapidly grown trading construction material and hence experienced the strategically transitional impact on the Group's overall results for the Year that total basic loss per share recorded HK cents 1 compared to the total basic earning per share HK cents 0.1 last year that ended 31 March 2015.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2016 (31 March 2015: nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2016, the Group had total assets of approximately HK$177,294,000 including continuing and discontinuing operations (31 March 2015: approximately HK$180,096,000), comprising bank and cash balances of approximately HK$23,128,000 (31 March 2015: approximately HK$23,984,000). The Group's current ratio, calculated as current assets of approximately HK$166,414,000 (31 March 2015: approximately HK$153,789,000) over current liabilities of approximately HK$48,311,000 (31 March 2015: approximately HK$31,154,000), dropped to 3.44 as at 31 March 2016 (31 March 2015: 4.94).

Foreign currency management

Most of the Group's transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the Group entities. Therefore, the Group believes it faces minimal foreign currency risk and thus has not undertaken any hedging activities.

Capital commitment

The Group had capital commitments, which are contracted but not provided for, in respect of the capital contribution to two subsidiaries amounting to approximately HK$52,109,000 as at 31 March 2016 (31 March 2015: approximately HK$55,287,000).

Pledge of Assets and Contingent Liabilities

The Group had no significant pledge of assets nor contingent liabilities as at 31 March 2016 and 31 March 2015.

CAPITAL STRUCTURE

At the both years ended 31 March 2016 and 31 March 2015, the Company comprise of 1,321,682,525 issued shares with par value of HK$0.01.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

Save as disclosed, in the paragraph of "Business Review" in this section, the Group did not have any material acquisition, disposal or investment for the year ended 31 March 2016.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2016, the Group had approximately 70 employees. For the year ended 31 March 2016, the total staff costs including the Directors' emolument was approximately HK$4,709,000 (31 March 2015: HK$7,188,000). Remuneration of the employees is determined by reference to the market terms and commensurates with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

PROSPECTS

The Board has continuously been exploring different investment opportunities. Through the acquisition, the Company can acquire the well-established businesses of the Target Company and its subsidiaries in the PRC. In light of the weak prospect of wholesaling and retailing of garment business presently carried on by the Group and the various challenges and uncertainties lied ahead in the retailing industry under the current

global macro-economic environment, the Board believes that the acquisition and disposals allow the scope of business of the Group to be replaced and the quality assets proposed to be acquired are expected to enhance the Company's value to the Shareholders.

At the same time, the management of the Group has been continuing to explore business opportunities for additional value for shareholders.

For the year ended 31 March 2015

BUSINESS REVIEW

For the year ended 31 March 2015, the Group continued to engage in operating with distinctive business lines of wholesale of garments and retail of fashion garments covering men, women and children's wear. In addition, the Group successfully extended its trading business to the trading of construction materials and became a new reportable segment during the year. The Group recorded a turnover of approximately HK$502.6 million (31 March 2014: approximately HK$334.6 million), and achieved profit from operations of approximately HK$6.8 million, representing a decrease of 61.1% from the last year (31 March 2014: approximately HK$17.5 million). Profit attributable to the owners of the Company for the year ended 31 March 2015 amounted to approximately HK$1.3 million (31 March 2014: approximately HK$1,543.2 million). The said decrease in profit attributable to the owners of the Company was mainly attributable to the absence of the one off gain of approximately HK$1,404 million on the settlement of all the debts of the Company upon completion of the debt restructuring recognised in last year. Basic earnings per share decreased from HK$2.04 for the year ended 31 March 2014 to HK$0.001 for the year ended 31 March 2015. Due to the weak domestic garment market and the emergence of internet retail business in China, the Group experienced a decline in its garment retail business. In light of the weakened market, the Group has been consolidating its garment retail business segment by channeling resources to U-RIGHT branded products and phasing out/scaling down other garment retail brands to strengthen competitiveness of the business. Although the trading business of the Group has grown rapidly, due to the lower profit margin of the trading business as compared with that of the garment retail business, the Group experienced a decline in its gross profit margin from 13.4% in last year to 5.0% in current year.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2015 (2014: nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2015, the Group had total assets of approximately HK$180,096,000 (31 March 2014: approximately HK$194,066,000), comprising bank and cash balances of approximately HK$23,984,000 (31 March 2014: approximately HK$79,215,000). The Group's current ratio, calculated as current assets of approximately HK$153,789,000 (31 March 2014: approximately HK$178,867,000) over current liabilities of approximately HK$31,154,000 (31 March 2014: approximately HK$46,737,000), improved to 4.94 as at 31 March 2015 (31 March 2014: 3.83). The Group's gearing ratio, calculated as non-current liabilities of nil (31 March 2014: nil) over total equity of approximately HK$148,942,000 (31 March 2014: approximately HK$147,329,000), was zero as at 31 March 2015 (31 March 2014: zero).

Foreign currency management

Most of the Group's transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the Group entities. Therefore, the Group believes it faces minimal foreign currency risk and thus has not undertaken any hedging activities.

Capital commitment

The Group had capital commitments, which are contracted but not provided for, in respect of the capital contribution to two subsidiaries amounting to approximately HK$55,287,000 as at 31 March 2015.

Pledged of Assets and Contingent Liabilities

The Group had no significant pledge of assets nor contingent liabilities as at 31 March 2015.

CAPITAL STRUCTURE

At the year ended 31 March 2015, the Company comprise of 1,321,682,525 issued shares with par value of HK$0.01.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

During the year under review, the Group has acquired five properties in the PRC. A property at consideration of approximately HK$2.2 million is for its own use as retail shop and the remaining four properties at a total consideration of HK$8.7 million have been used for investment purpose.

Save as disclosed, the Group did not have any material acquisition, disposal or investment for the year ended 31 March 2015.

EVENTS AFTER THE REPORTING PERIOD

At the request of the Company, trading in shares of the Company had been suspended since 15 April 2015.

On 14 April 2015, the Company and a vendor (the ''Vendor'') who is a third party independent of the Company and its connected persons entered into an agreement (the ''SP Agreement'') pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of Vivalink Limited (the ''Target Company''), together with its subsidiaries, and its shareholders' loan to the Target Company (the ''Acquisition'') for a total consideration of HK$2,368,016,828, which will be satisfied by the issue of new shares and promissory note of the Company. The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability and the Target Group is principally engaged in commercial and residential property sale and development in the PRC. Pursuant to the SP Agreement and being the conditions precedent to the completion, the Board, among other things, proposed to procure one or more placing agents to place Placing Shares and convertible bonds of the Company (the ''Share Placing and CB Placing''); and enter into one or more sale and purchase agreements to dispose one or more of the Company's subsidiaries (the ''Possible Disposals''). The Board entered into the placing agreement with the placing agent on 20 October 2017 in respect of the Share Placing and CB Placing; and of the sale and purchase agreement with the potential purchasers in respect of the Possible Disposals. Please refer to the Company's announcements dated 24 April 2015 and 27 May 2015 for more details.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2015, the Group had approximately 131 employees. For the year ended 31 March 2015, the total staff cost including the Directors' emolument was approximately HK$7,188,000. Remuneration of the employees is determined by reference to the market terms and commensurates with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

PROSPECTS

The Group has been managing its businesses prudently since keen competition of the garment business and the construction material business has been exerting pressure on the performance on profit margins of the Group.

On 14 April 2015, the Company and the Vendor entered into the SP Agreement for the Acquisition, which the Company has conditionally agreed to acquire the Target. Pursuant to the SP Agreement and being one of the conditions precedent to the completion of the transactions contemplated under the SP Agreement, the Board would propose to enter into one or more sale and purchase agreements for the Possible Disposals.

Going forward, the Group is expected to continue the development of a steady trading business. Subject to the completion of the SP Agreement and the transactions contemplated thereunder (including the Possible Disposals), despite the impact of e-commerce and a slower economy on the garment business leading to a tough times ahead, the management shall strive to defend and maintain the current garment business operation.

At the same time, the management of the Group continues to explore business opportunities for additional value for shareholders.

3. FINANCIAL TRADING PROSPECT

Upon completion, the Restructured Group will be principally engaged in the business of the Target Group's in property development in the PRC. The Group is optimistic about the future prospects of the property development in the PRC. Going forward, the Restructured Group intends to seek sustainable growth by pursuing the following principal strategies:

- continue to acquire land for residential and commercial property development in prime locations in cities with high economic growth potential, in particular the first and second tier cities in the PRC;
- strengthen its corporate recognition and presence in the property market;
- continue to develop existing property development projects and acquire land reserves to sustain future growth;
- diversifying the Restructured Group's income stream by expanding into developing and managing investment property;
- continue to exercise prudent financial control in order to ensure sustainable growth and sufficient financial resources; and
- attract, retain and motivate talented personnel by offering competitive remuneration packages.

4. WORKING CAPITAL

The Directors, after due and carefully enquiry, are of the opinion that following Completion, after taking into account the financial resources available to the Restructured Group, including internally generated funds and the available banking facilities, the Restructured Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

5. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

(i) On 30 June 2017, the Company and the Vendor entered into a supplemental agreement to amend and supplement certain terms of the SP Agreement, among other things, (i) to extend the Long Stop Date from 30 June 2017 to 29 September 2017 (or such later date as the parties to the SP Agreement may agree in writing); (ii) to change the date of the accounts of the Target Group from 31 December 2016 to 30 April 2017; and (iii) to change the date of the audited accounts of the Company from 31 March 2016 to 31 March 2017;

(ii) On 30 June 2017, the Company and the UR Purchaser entered into a supplemental agreement to extend the UR Disposal Long Stop Date from on or before noon of 30 June 2017 to on or before noon of 29 September 2017 (or such later date as the parties may agree in writing);

(iii) On 30 June 2017, the Company and the Alfreda Purchaser have entered into a supplemental agreement to extend the Alfreda Disposal Long Stop Date from on or before noon of 30 June 2017 to on or before noon of 29 September 2017 (or such later date as the parties may agree in writing);

(iv) On 29 September 2017, the Company and the Vendor entered into a supplemental agreement to amend and supplement of certain terms of the SP Agreement, among other things, to extend the Long Stop Date from 29 September 2017 to 29 December 2017 (or such later date as the parties to the SP Agreement may agree in writing);

(v) On 29 September 2017, the Company and the UR Purchaser have entered into a supplemental agreement to extend the UR Disposal Long Stop Date from on or before noon of 29 September 2017 to on or before noon of 29 December 2017 (or such later date as the parties may agree in writing);

(vi) On 29 September 2017, the Company and the Alfreda Purchaser have entered into a supplemental agreement to extend the Alfreda Disposal Long Stop Date from on or before noon of 29 September 2017 to on or before noon of 29 December 2017 (or such later date as the parties may agree in writing); and

(vii) On 20 October 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place (a) an aggregate of 2,727,280,000 Placing Shares at HK$0.22 per Placing Share on a best effort basis; and (b) the Convertible Bonds with an aggregate principal amount of not more than HK$200,000,000 at an initial price of HK$0.22 per Conversion Share (subject to adjustments) on a best effort basis.

6. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had no outstanding borrowings.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 August 2017, based on the books and records currently available to the Directors, the Directors confirmed that there is no material change in its indebtedness position since 31 August 2017 and are not aware of the Group having other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

Set out below are the unaudited consolidated statements of financial position of UR Group Limited (''UR'') and its subsidiaries (collectively the ''UR Group'') as at 31 March 2015, 2016 and 2017; and the unaudited consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the UR Group for each of the three years ended 31 March 2017 (the ''Relevant Periods'') and explanatory notes, which have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' and with reference to Practice Note 750 ''Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal'' issued by the Hong Kong Institute of Certified Public Accountants.

A. UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	281,148	168,021	161,420
Cost of sales	(271,531)	(162,614)	(156,507)
Gross profit	9,617	5,407	4,913
Other income	138	214	63
Selling and distribution expenses	(2,162)	(1,875)	(1,844)
Administrative expenses	(1,269)	(1,160)	(1,114)
Profit before tax	6,324	2,586	2,018
Income tax	(1,259)	(520)	(406)
Profit for the year	5,065	2,066	1,612
Other comprehensive income/(loss):			
Exchange differences on translation of foreign operations	115	(1,638)	(1,418)
Fair value changes of available-for-sale financial assets	(446)	(500)	700
Total comprehensive income/(loss) for the year	4,734	(72)	894
Profit for the year attributable to:			
Owners of the UR	4,963	2,104	1,634
Non-controlling interests	102	(38)	(22)
	5,065	2,066	1,612
Total comprehensive income/(loss) for the year attributable to:			
Owners of the UR	4,609	232	1,155
Non-controlling interests	125	(304)	(261)
	4,734	(72)	894

B. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	197	127	75
Available-for-sale financial assets	3,550	3,050	3,750
	3,747	3,177	3,825
Current assets			
Inventories	2,051	1,496	1,511
Trade receivables	38,564	49,680	39,962
Prepayments, deposits and other receivables	22,991	22,843	23,953
Current tax assets	—	—	15
Bank and cash balances	6,057	6,957	2,795
	69,663	80,976	68,236
Current liabilities			
Trade payables	13,767	23,376	12,883
Accruals and other payables	2,878	3,577	1,790
Due to the ultimate holding company	18,559	18,626	18,626
Current tax liabilities	266	706	—
	35,470	46,285	33,299
Net current assets	34,193	34,691	34,937
NET ASSETS	37,940	37,868	38,762
Capital and reserves			
Share capital	—	—	—
Reserves	33,294	33,526	34,681
Equity attributable to owners of UR	33,294	33,526	34,681
Non-controlling interests	4,646	4,342	4,081
TOTAL EQUITY	37,940	37,868	38,762

C. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of UR						
	Share capital *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Foreign currency translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2014	—	—	647	28,038	28,685	4,521	33,206
Total comprehensive income/(loss) for the year	—	(446)	92	4,963	4,609	125	4,734
At 31 March 2015 and 1 April 2015	—	(446)	739	33,001	33,294	4,646	37,940
Total comprehensive income/(loss) for the year	—	(500)	(1,372)	2,104	232	(304)	(72)
At 31 March 2016 and 1 April 2016	—	(946)	(633)	35,105	33,526	4,342	37,868
Total comprehensive income/(loss) for the year	—	700	(1,179)	1,634	1,155	(261)	894
At 31 March 2017	—	(246)	(1,812)	36,739	34,681	4,081	38,762

D. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before tax	6,324	2,586	2,018
Adjustments for:			
Depreciation	62	61	13
Interest received	—	(5)	(4)
Operating cash flows before working capital changes	6,386	2,642	2,027
Changes in inventories	(1,156)	555	(15)
Changes in trade receivables, prepayments, deposits and other receivables	(1,102)	(10,968)	8,608
Changes in trade and other payables and accruals	(9,954)	10,308	(12,280)
Cash generated from/(used in) operations	(5,826)	2,537	(1,660)
Tax paid	(957)	(80)	(1,127)
Interest received	—	5	4
Net cash generated from/(used in) operating activities	(6,783)	2,462	(2,783)
Cash flows from investing activities			
Purchase of property, plant and equipment	(193)	—	—
Purchases of available-for-sale financial assets	(3,996)	—	—
Net cash used in investing activities	(4,189)	—	—
Net (decrease)/increase in cash and cash equivalents	(10,972)	2,462	(2,783)
Cash and cash equivalents at beginning of year	16,489	6,057	6,957
Effect of changes in foreign exchange rate	540	(1,562)	(1,379)
Cash and cash equivalents at end of year, represented by			
Bank and cash balances	6,057	6,957	2,795

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

On 27 October 2015, U-Right International Holdings Limited (the "Company") entered into an agreement for the disposal of the entire equity interest in UR Group to Qiu Wenzhong, at a consideration of RMB56,499,000 (the "UR Disposal'). Upon completion of the UR Disposal, members of the UR Group will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the UR Group has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the unaudited financial information for each of the three years ended 31 March 2017 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the Company's annual consolidated financial statements.

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the financial information of UR Group Limited and its subsidiaries (the "UR Group") set out on pages IV-153 to IV-157 which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 31 March 2017 (the "Relevant Periods") and explanatory notes. The financial information has been prepared solely for the purpose of inclusion in the circular issued by U-Right International Holdings Limited (the "Company") dated 27 October 2017 in connection with the disposal of the UR Group in accordance with the Rule 14.68(2)(a)(i)(A) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the financial information of the UR Group in accordance with the basis of preparation set out in note 2 to the financial information and Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of financial information consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information of the UR Group for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the financial information of the UR Disposal Group.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practicing Certificate Number P06353

Hong Kong, 27 October 2017

Set out below are the unaudited consolidated statements of financial position of Alfreda Limited (''Alfreda'') and its subsidiaries (collectively the ''Alfreda Group'') as at 31 March 2015, 2016 and 2017; and the unaudited consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Alfreda Group for each of the three years ended 31 March 2017 (the ''Relevant Periods'') and explanatory notes, which have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' and with reference to Practice Note 750 ''Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal'' issued by the Hong Kong Institute of Certified Public Accountants.

A. UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	30,845	13,477	13,332
Cost of sales	(20,531)	(10,160)	(9,627)
Gross profit	10,314	3,317	3,705
Other income or loss	(28)	543	4
Selling and distribution expenses	(2,997)	(754)	(865)
Administrative expenses	(4,969)	(1,989)	(1,475)
Profit from operations	2,320	1,117	1,369
Impairment of goodwill	(3,000)	(9,364)	(961)
Profit/(loss) before tax	(680)	(8,247)	408
Income tax	(490)	(423)	(412)
Loss for the year attributable to owners of the Alfreda	(1,170)	(8,670)	(4)
Other comprehensive income:			
Exchange differences on translation of foreign operations	282	(1,609)	(1,639)
Total comprehensive loss for the year attributable to owners of the Alfreda	(888)	(10,279)	(1,643)

B. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	423	145	90
Goodwill	11,202	1,838	877
	11,625	1,983	967
Current assets			
Inventories	14,856	12,467	10,016
Trade receivables	9,994	4,121	1,626
Prepayments, deposits and other receivables	5,717	7,482	7,069
Bank and cash balances	7,002	12,503	13,373
	37,569	36,573	32,084
Current liabilities			
Trade payables	288	241	140
Accruals and other payables	1,318	1,234	1,504
Due to the ultimate holding company	20,300	20,300	16,800
Current tax liabilities	10,528	10,300	9,769
	32,434	32,075	28,213
Net current (liabilities)/assets	5,135	4,498	3,871
NET ASSETS	16,760	6,481	4,838
Capital and reserves			
Share capital	—	—	—
Reserves	16,760	6,481	4,838
TOTAL EQUITY	16,760	6,481	4,838

C. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of Alfreda			
	Share capital *HK$'000*	**Foreign currency translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2014	—	2,246	15,402	17,648
Total comprehensive income for the year	—	282	(1,170)	(888)
At 31 March 2015 and 1 April 2015	—	2,528	14,232	16,760
Total comprehensive loss for the year	—	(1,609)	(8,670)	(10,279)
At 31 March 2016 and 1 April 2016	—	919	5,562	6,481
Total comprehensive income/ (loss) for the year	—	(1,639)	(4)	(1,643)
At 31 March 2017	—	(720)	5,558	4,838

D. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit/(loss) before tax	(680)	(8,247)	408
Adjustments for:			
Interest income	(18)	(18)	(4)
Depreciation	564	265	58
Impairment on goodwill	3,000	9,364	961
Operating cash flows before working capital changes	2,866	1,364	1,423
Changes in inventories	(1,722)	2,389	2,451
Changes in trade receivables, prepayments, deposits and other receivables	9,402	4,108	2,908
Changes in trade and other payables and accruals	(7,386)	(131)	169
Cash generated from operations	3,160	7,730	6,951
Tax (paid)/refunded	(440)	(651)	(943)
Interest received	18	18	4
Net cash generated from operating activities	2,738	7,097	6,012
Cash flows from investing activities			
Purchase of property, plant and equipment	(52)	(4)	(52)
Net cash used in investing activities	(52)	(4)	(52)
Cash flows from financing activities			
Advance to ultimate holding company	—	—	(3,500)
Net cash used in financing activities	—	—	(3,500)
Net (decrease)/increase in cash and cash equivalents	2,686	7,093	2,460
Cash and cash equivalents at beginning of year	4,036	7,002	12,503
Effect of changes in foreign exchange rate	280	(1,592)	(1,590)
Cash and cash equivalents at end of year, represented by			
Bank and cash balances	7,002	12,503	13,373

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

On 27 October 2015, U-Right International Holdings Limited (the ''Company'') entered into an agreement for the disposal of the entire equity interest in Alfreda Group to Ma Weihong, at a consideration of RMB22,358,000 (the ''Alfreda Disposal'). Upon completion of the Alfreda Disposal, members of the Alfreda Group will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Alfreda Group has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the unaudited financial information for each of the three years ended 31 March 2017 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 ''Presentation of Financial Statements'' or an interim financial report as defined in Hong Kong Accounting Standard 34 ''Interim Financial Reporting'' issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the Company's annual consolidated financial statements.

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the financial information of Alfreda Limited and its subsidiaries (the "Alfreda Group") set out on pages IV-160 to IV-164 which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 31 March 2017 (the "Relevant Periods") and explanatory notes. The financial information has been prepared solely for the purpose of inclusion in the circular issued by U-Right International Holdings Limited (the "Company") dated 27 October 2017 in connection with the disposal of the Alfreda Group in accordance with the Rule 14.68(2)(a)(i)(A) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the financial information of the Alfreda Group in accordance with the basis of preparation set out in note 2 to the financial information and Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of financial information consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information of the Alfreda Group for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the financial information of the Alfreda Disposal Group.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practicing Certificate Number P06353

Hong Kong, 27 October 2017

INTRODUCTION

The accompanying unaudited pro forma financial information of the Restructured Group has been prepared to illustrate the effect of (i) the Acquisition of the entire equity interest in Vivalink Limited (the ''Target Company'') and its subsidiaries (hereinafter collectively referred to as the ''Target Group'') (ii) the proposed increase in authorised share capital, (iii) the proposed share premium reduction, (iv) the placing of shares and convertible bonds and (v) the Disposal (collectively the ''Proposed Restructuring''), which might have affected the financial information of U-RIGHT International Holdings Limited (the ''Company'') and its subsidiaries (hereafter collectively referred to as the ''Group''). The Group immediately after the completion of the Proposed Restructuring is referred to as the ''Restructured Group''. Details of the Proposed Restructuring are contained in the circular of the Company dated 27 October 2017 (the ''Circular'').

The unaudited pro forma consolidated statement of financial position of the Restructured Group and the unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 March 2017 have been prepared based on (1) audited consolidated statement of financial position of the Group as at 31 March 2017 as extracted from the Annual Report of the Company for the year ended 31 March 2017 and (2) the audited consolidated statement of financial position of the Target Group as at 30 April 2017, which has been extracted from the accountants' report of the Target Group as set out in Appendix III to the Circular, and translated from RMB to HK$ at the rate of RMB1.00 to HK$1.13, as if the Proposed Restructuring had been completed on 31 March 2017.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Restructured Group for the year ended 31 March 2017 have been prepared based on (1) the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2017, which have been extracted from the Annual Report of the Company for the year then ended and (2) the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2016, which have been extracted from the accountants' report of the Target Group as set out in Appendix III to the Circular, and translated from RMB to HK$ at the rate of RMB1.00 to HK$1.17, as if the Proposed Restructuring had been completed on 1 April 2016.

The unaudited pro forma financial information is prepared to provide information on the Restructured Group as a result of completion of the Proposed Restructuring.

The unaudited pro forma financial information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purpose only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Restructured Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Restructured Group that would have been attained had the Proposed Restructuring actually occurred on the dates indicated herein.

Furthermore, the unaudited pro forma financial information of the Restructured Group does not purport to predict the Restructured Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the published (1) Annual Report of the Company for the year ended 31 March 2017; and (2) other financial information included elsewhere in the Circular.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESTRUCTURED GROUP AS AT 31 MARCH 2017

	The Group	Pro forma adjustments					Sub-total	The Target Group	The Target Group	Sub-total	Pro forma adjustments			The Restructured Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2(a))*	*(Note 3(a))*	*(Note 4)*	*(Note 5(a))*	*(Note 6(a))*		*(Note 7)*	*(Note 7)*		*(Note 8(a))*	*(Note 8(b))*	*(Note 8(c))*	
Non-current assets														
Property, plant and equipment	2,325						2,325	4,209	4,751	7,076				7,076
Investment properties	7,759						7,759	—	—	7,759				7,759
Deferred tax assets	—						—	3,126	3,529	3,529				3,529
Long-term guarantee deposit	—						—	5,000	5,644	5,644				5,644
Pledged/restricted bank deposits	—						—	44,497	50,231	50,231				50,231
Goodwill	—						—	—	—	—	277,193			—
											(277,193)			
	10,084						10,084	56,832	64,155	74,239				74,239
Current assets														
Inventories	37						37	2,425,561	2,738,149	2,738,186				2,738,186
Trade receivables	41,548						41,548	2,902	3,276	44,824				44,824
Prepayments, deposits and other receivables	1,266						1,266	16,878	19,053	20,319				20,319
Prepaid income tax	—						—	30,379	34,294	34,294				34,294
Bank and cash balances	3,877	22,358	50,849		594,002	199,000	870,086	355,434	401,240	1,271,326	(23,891)			1,247,435
	46,728						912,937	2,831,154	3,196,012	4,108,949				4,085,058
Disposal groups classified as held for sale	105,112	(33,051)	(72,061)				—	—	—	—				—
	151,840						912,937	2,831,154	3,196,012	4,108,949				4,085,058

	The Group	Pro forma adjustments					Sub-total	The Target Group	The Target Group	Sub-total	Pro forma adjustments			The Restructured Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2(a))*	*(Note 3(a))*	*(Note 4)*	*(Note 5(a))*	*(Note 6(a))*		*(Note 7)*	*(Note 7)*		*(Note 8(a))*	*(Note 8(b))*	*(Note 8(c))*	
Current liabilities														
Trade payables	9,234						9,234	20,021	22,601	31,835				31,835
Accruals and other payables	6,856		(5,650)				1,206	124,425	140,460	141,666				141,666
Deposits received for sale of properties	—						—	282,902	319,360	319,360				319,360
Amounts due to related companies	—						—	12,871	14,530	14,530				14,530
Amount due to immediate holding company	—						—	329,226	371,654	371,654		(371,654)		—
Current tax liabilities	2						2	200,907	226,798	226,800				226,800
Borrowings — due within one year	—						—	500,000	564,436	564,436				564,436
Promissory Note	—						—	—	—	—	100,000			100,000
	16,092						10,442	1,470,352	1,659,839	1,670,281				1,398,627
Liabilities directly associated with the disposal groups	26,086	(11,413)	(14,673)				—	—	—	—				—
	42,178						10,442	1,470,352	1,659,839	1,670,281				1,398,627
Net current assets	109,662						902,495	1,360,802	1,536,173	2,438,668				2,686,431
Total assets less current liabilities	119,746						912,579	1,417,634	1,600,328	2,512,907				2,760,670
Non-current liabilities														
Borrowings — due after one year	—						—	1,036,679	1,170,278	1,170,278				1,170,278
Convertible bonds	—					199,000	199,000	—	—	199,000				199,000
Deferred tax liabilities	—						—	15,097	17,043	17,043				17,043
	—						199,000	1,051,776	1,187,321	1,386,321				1,386,321
NET ASSETS	119,746						713,579	365,858	413,007	1,126,586				1,374,349
Capital and reserves														
Issued shares	13,217				27,273		40,490	305	344	40,834	(40,490)		104,297	104,641
Share premium	783,155			(783,155)	566,729		566,729	—	—	566,729	(566,729)			—
Reserves	(680,707)	720	3,192	783,155			106,360	365,553	412,663	519,023	(106,360) 866,881 (277,193)	371,654	(104,297)	1,269,708
Equity attributable to owners of the Company	115,665						713,579	365,858	413,007	1,126,586				1,374,349
Non-controlling interests	4,081		(4,081)				—	—	—	—				—
TOTAL EQUITY	119,746						713,579	365,858	413,007	1,126,586				1,374,349

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE RESTRUCTURED GROUP FOR THE YEAR ENDED 31 MARCH 2017

	The Group	Pro forma adjustments					Sub-total	The Target Group	The Target Group	Sub-total	Pro forma adjustments	The Restructured Group
	HK$'000 (Note 1)	*HK$'000* (Note 2(b))	*HK$'000* (Note 2(c))	*HK$'000* (Note 3(b))	*HK$'000* (Note 3(c))	*HK$'000* (Note 6(b))	*HK$'000*	*RMB'000* (Note 7)	*HK$'000* (Note 7)	*HK$'000*	*HK$'000* (Note 8(a))	*HK$'000*
Continuing operations												
Revenue	257,892						257,892	768,363	896,794	1,154,686		1,154,686
Cost of sales	(251,953)						(251,953)	(576,120)	(672,418)	(924,371)		(924,371)
Gross profit	5,939						5,939	192,243	224,376	230,315		230,315
Other income and gains	810						810	4,969	5,800	6,610		6,610
Other expenses and refund	—						—	(14,237)	(16,617)	(16,617)		(16,617)
Selling and distribution expenses	(4,149)						(4,149)	(16,352)	(19,085)	(23,234)		(23,234)
Administrative expenses	(8,259)						(8,259)	(23,377)	(27,284)	(35,543)	(23,891)	(59,434)
Profit/(loss) from operations	(5,659)						(5,659)	143,246	167,190	161,531		137,640
Finance costs	—					(18,304)	(18,304)	(22,446)	(26,198)	(44,502)		(44,502)
Impairment on goodwill	—						—	—	—	—	(277,193)	(277,193)
Profit/(loss) before tax	(5,659)						(23,963)	120,800	140,992	117,029		(184,055)
Income tax expense	(257)						(257)	(54,048)	(63,082)	(63,339)		(63,339)
Loss for the year from continuing operations	(5,916)						(24,220)	66,752	77,910	53,690		(247,394)
Discontinuing operations												
Profit for the year from discontinuing operations	1,608	(923)	4	4,347	(1,612)		3,424	—	—	3,424		3,424
Profit/(loss) for the year	(4,308)						(20,796)	66,752	77,910	57,114		(243,970)
Other comprehensive (expense)/income:												
Items that may be reclassified to profit or loss:												
Exchange differences on translation of foreign operations	(5,629)		1,639		1,418		(2,572)	—	—	(2,572)		(2,572)
Fair value changes of available-for-sale financial assets	700				(700)		—	—	—	—		—
Total comprehensive (expense)/income for the year	(9,237)						(23,368)	66,752	77,910	54,542		(246,542)
Profit/(loss) for the year attributable to:												
Owners of the Company												
Loss from continuing operations	(5,916)					(18,304)	(24,220)	66,752	77,910	53,690	(301,084)	(247,394)
Loss from discontinuing operations	1,630	(923)	4	4,347	(1,634)		3,424	—	—	3,424		3,424
	(4,286)						(20,796)	66,752	77,910	57,114		(243,970)
Non-controlling interests	(22)				22		—	—	—	—		—
	(4,308)						(20,796)	66,752	77,910	57,114		(243,970)
Total comprehensive income/(loss) for the year attributable to:												
Owners of the Company	(8,976)	(923)	1,643	4,347	(1,155)	(18,304)	(23,368)	66,752	77,910	54,542	(301,084)	(246,542)
Non-controlling interests	(261)				261		—	—	—	—		—
	(9,237)						(23,368)	66,752	77,910	54,542		(246,542)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE RESTRUCTURED GROUP FOR THE YEAR ENDED 31 MARCH 2017

	The Group	Pro forma adjustments						Sub-total	The Target Group	The Target Group	Sub-total	Pro forma adjustments	The Restructured Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2(b))*	*(Note 2(c))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 5(b))*	*(Note 6(b))*		*(Note 7)*	*(Note 7)*		*(Note 8(a))*	
CASH FLOWS FROM OPERATING ACTIVITIES													
Profit/(loss) before tax													
From continuing operations	(5,659)						(18,304)	(23,963)	120,800	140,992	117,029	(301,084)	(184,055)
From discontinuing operations	2,426	(923)	(408)	4,347	(2,018)			3,424	—	—	3,424		3,424
Adjustments for:													
Bank interest income	(16)		4		4			(8)	(642)	(749)	(757)		(757)
Finance costs	—						18,304	18,304	22,446	26,198	44,502		44,502
Depreciation and amortisation	359		(58)		(13)			288	2,075	2,422	2,710		2,710
Gain on disposal of property, plant and equipment	—							—	(56)	(65)	(65)		(65)
Gain on disposal of a subsidiary	—	923		(4,347)				(3,424)	—	—	(3,424)		(3,424)
Impairment on goodwill	961		(961)					—	—	—	—	277,193	277,193
Operating cash flows before working capital changes	(1,929)							(5,379)	144,623	168,798	163,419		139,528
Changes in inventories	2,440		(2,451)		15			4	128,420	149,885	149,889		149,889
Changes in trade receivables, prepayments, deposits and other receivables	8,698		(2,908)		(8,608)			(2,818)	4,471	5,218	2,400		2,400
Changes in trade and other payables and accruals	(4,813)		(169)		12,280			7,298	49,463	57,731	65,029		65,029
Changes in pre-sales proceeds received on sales of properties	—							—	55,714	65,027	65,027		65,027
Changes in financial asset at FVTPL								—	91,073	106,296	106,296		106,296
Decrease in amount due to a related company	—							—	(5,699)	(6,652)	(6,652)		(6,652)
Cash generated from/(used in) operations	4,396							(895)	468,065	546,303	545,408		521,517
Tax paid	(2,409)		943		1,127			(339)	(42,513)	(49,619)	(49,958)		(49,958)
Interest received	16		(4)		(4)			8	—	—	8		8
Net cash generated from/(used in) operating activities	2,003							(1,226)	425,552	496,684	495,458		471,567

	The Group	Pro forma adjustments						Sub-total	The Target Group	The Target Group	Sub-total	Pro forma adjustments	The Restructured Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2(b))*	*(Note 2(c))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 5(b))*	*(Note 6(b))*		*(Note 7)*	*(Note 7)*		*(Note 8(a))*	
CASH FLOWS FROM INVESTING ACTIVITIES													
Purchase of property, plant and equipment	(71)		52					(19)	(736)	(859)	(878)		(878)
Proceeds from disposal of property, plant and equipment	—							—	93	109	109		109
Acquisition of a subsidiary	—							—	—	—	—	23,128	23,128
Disposal of subsidiaries	—	13,355		43,892				57,247	—	—	57,247		57,247
Additions of pledged/restricted bank deposits	—							—	(42,061)	(49,091)	(49,091)		(49,091)
Withdrawal of pledged/restricted bank deposits	—							—	36,805	42,957	42,957		42,957
Interest received	—							—	642	749	749		749
Net cash (used in)/generated from investing activities	(71)							57,228	(5,257)	(6,135)	51,093		74,221
CASH FLOWS FROM FINANCING ACTIVITIES													
Interest paid	—						(18,000)	(18,000)	(203,441)	(237,446)	(255,446)		(255,446)
Additions of borrowings	—							—	1,803,128	2,104,518	2,104,518		2,104,518
Repayment of borrowings	—							—	(1,986,909)	(2,319,018)	(2,319,018)		(2,319,018)
Repayment to ultimate holding company	—	(3,500)	3,500					—	—	—	—		—
Repayment from Alfreda Group	—	3,500						3,500	—	—	3,500		3,500
Advances from immediate holding company	—							—	13,970	16,305	16,305		16,305
Proceeds from Share Placing	—					594,002		594,002	—	—	594,002		594,002
Proceeds from CB Placing	—						199,000	199,000	—	—	199,000		199,000
Net cash generated from/(used in) financing activities	—							778,502	(373,252)	(435,641)	342,861		342,861
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,932							834,504	47,043	54,908	889,412		888,649
Effect of changes in foreign exchange rates	(5,015)		1,590		1,379			(2,046)	—	(14,538)	(16,584)		(16,584)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,128							23,128	213,261	270,337	293,465	(23,128)	270,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	20,045							855,586	260,304	310,707	1,166,293		1,142,402
ANALYSIS OF CASH AND CASH EQUIVALENTS													
Bank and cash balances	3,877	25,858		50,849		594,002	181,000	855,586	260,304	310,707	1,166,293	(23,891)	1,142,402
Bank and cash balances included in disposal groups classified as held for sale	16,168	(12,503)	(870)	(6,957)	4,162			—	—	—	—		—
	20,045							855,586	260,304	310,707	1,166,293		1,142,402

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

(1) The financial information of the Group is extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2017 as set out in the Annual Report of the Company for the year ended 31 March 2017.

(2) (a) The adjustment reflects the estimated unaudited gain on the Alfreda Disposal and net cash inflow arising on the Alfreda Disposal, assuming that the Alfreda Disposal had been taken place on 31 March 2017.

31 March 2017

	HK$'000
Property, plant and equipment	90
Goodwill	877
Inventories	10,016
Trade receivables	1,626
Prepayments, deposits and other receivables	7,069
Bank and cash balances	13,373
Disposal groups classified as held for sales	33,051
Trade and other payables, and total for liabilities associated with the Alfreda Disposal Group	(11,413)
Net assets disposed of	21,638
Estimated unaudited gain on the Alfreda Disposal	720
Total consideration — satisfied by cash	22,358

Since the net carrying amounts of the assets and liabilities of Alfreda Limited as at the date of completion of the Alfreda Disposal may be different from the amounts used in the preparation of the unaudited pro forma financial information presented above, the actual gains or losses arising from the Alfreda Disposal may be different from the estimated amount as presented in this note.

(b) The adjustment reflects the estimated unaudited loss on the Alfreda Disposal and net cash inflow arising on the Alfreda Disposal, assuming that the Alfreda Disposal had been taken place on 1 April 2016.

1 April 2016

	HK$'000
Property, plant and equipment	145
Goodwill	1,838
Inventories	12,467
Trade receivables	4,121
Prepayments, deposits and other receivables	7,482
Bank and cash balances	12,503
Disposal groups classified as held for sale	38,556
Trade and other payables, and total for liabilities associated with the Alfreda Disposal Group	(11,775)
Repayment to ultimate holding company *(Note)*	(3,500)
Net assets disposed of	23,281
Estimated unaudited loss on the Alfreda Disposal	(923)
Total consideration — satisfied by cash	22,358
Net cash inflow arising on the Alfreda Disposal:	
Cash consideration received	22,358
Repayment to ultimate holding company	3,500
Cash and cash equivalents disposed of	(12,503)
	13,355

Note: The amount refers to a repayment to ultimate holding company by Alfreda Group during the year ended 31 March 2017.

The adjustment is not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(c) These adjustments represent the elimination of the results and cash flows of Alfreda Disposal Group for the period from 1 April 2016 to 31 March 2017 on the basis that the results and cash flows of the Restructured Group for the year then ended would be reflected in its consolidated financial statements as if the transactions in relation to the Proposed Restructuring had been taken place on 1 April 2016.

These adjustments are not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(3) (a) The adjustment reflects the estimated unaudited gain on the UR Disposal and net cash inflow arising on the UR Disposal, assuming that the UR Disposal had been taken place on 31 March 2017.

31 March 2017

	HK$'000
Property, plant and equipment	75
Available-for-sale financial assets	3,750
Inventories	1,511
Trade receivables	39,962
Prepayments, deposits and other receivables	23,953
Current tax asset	15
Bank and cash balances	2,795
Disposal groups classified as held for sales	72,061
Trade and other payables, and total for liabilities associated with the UR Disposal Group	(14,673)
Net assets disposed of	57,388
Non-controlling interests	(4,081)
Estimated unaudited gain on the UR Disposal	3,192
Total consideration	56,499
Satisfied by:	
Cash	50,849
Deposit received	5,650
	56,499

Since the net carrying amounts of the assets and liabilities of UR Disposal Group as at the date of completion of the UR Disposal may be different from the amounts used in the preparation of the unaudited pro forma financial information presented above, the actual gains or losses arising from the UR Disposal may be different from the estimated amount as presented in this note.

(b) The adjustment reflects the estimated unaudited gain on the UR Disposal and net cash inflow arising on the UR Disposal, assuming that the UR Disposal had been taken place on 1 April 2016.

1 April 2016

	HK$'000
Property, plant and equipment	127
Available-for-sale financial assets	3,050
Inventories	1,496
Trade receivables	49,680
Prepayments, deposits and other receivables	22,843
Bank and cash balances	6,957
Disposal groups classified as held for sale	84,153
Trade and other payables, and total for liabilities associated with the UR Disposal Group	(27,659)
Net assets disposed of	56,494
Non-controlling interests	(4,342)
Estimated unaudited gain on the UR Disposal	4,347
Total consideration — satisfied by cash	56,499
Satisfied by:	
Cash	50,849
Deposit received	5,650
	56,499
Net cash inflow arising on the UR Disposal:	
Cash consideration received	50,849
Cash and cash equivalents disposed of	(6,957)
	43,892

The adjustment is not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(c) These adjustments represent the elimination of the results and cash flows of UR Disposal Group for the period from 1 April 2016 to 31 March 2017 on the basis that the results and cash flows of the Restructured Group for the year then ended would be reflected in its consolidated financial statements as if the transactions in relation to the Proposed Restructuring had been taken place on 1 April 2016.

These adjustments are not expected to have continuing effect on the Restructured Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(4) This adjustment is related to the proposed Share Premium Reduction. An amount of HK$783,155,000 standing to the credit of the share premium account of the Company shall be cancelled, and the credit arising therefrom be credited to the contributed surplus account of the Company, which may be used in any manner permitted by the Bye-laws including, without limitation, to set off against the accumulated losses of the Company.

(5) (a) The adjustment reflects the effect of the proposed Share Placing for a principal amount of HK$600,002,000 to not less than six investors, to subscribe for the shares of the Company. Assuming the net proceeds of approximately HK$594,002,000 from Subscription Price of Placing Shares is HK$0.22 per New Share after deducting the estimated underwriting commission fee at a rate of 1% and the Placing Shares having been placed in full, a total of 2,727,280,000 Placing Shares will be issued and allotted by the Company.

(b) The adjustment reflects the net proceeds of approximately HK$594,002,000 from the Share Placing had been received on 1 April 2016 by the Restructured Group as if the proposed Share Placing had completed on 1 April 2016.

This adjustment is not expected to have continuing effect on the Restructured Group's consolidated statement of cash flows.

(6) (a) The adjustment reflects the effect of the proposed CB Placing of 909,090,800 Conversion shares have been issued at the conversion price of HK$0.22 each by the Company, the accounting treatments for the Convertible Bonds with its assuming fair value of HK$200,000,000 to not less than six investors. The net proceeds of approximately HK$199,000,000 have been deducted by the estimated underwriting commission fee at a rate of 0.5%. The Convertible Bonds at 31 March 2017 is the present value of its principal of approximately HK$199,000,000 by using the effective interest rate of 9.19%.

The final valuation of the CB Placing to be recognised at actual Completion may be different from the amounts stated herein. Such potential valuation difference (or a fair value change, if any) is not expected to have a material impact on the pro forma financial performance and position for the financial year ending 31 March 2018.

(b) The adjustment reflects the net proceeds of approximately HK$199,000,000 after deducting the estimated underwriting commission fee at a rate of 0.5% from the CB Placing received on 1 April 2016 by the Restructured Group as if the proposed CB Placing had completed on 1 April 2016. The adjustment of approximately HK$18,000,000 reflects the 9% coupon interest has been incurred by the Restructured Group for the year ended 31 March 2017 as if the proposed CB Placing completed on 1 April 2016. The finance costs of interest on the CB Placing are calculated by applying an effective interest rate of 9.19%.

This adjustment is not expected to have continuing effect on the Restructured Group's consolidated statement of cash flows.

(7) The financial information of the Target Group is extracted from the audited consolidated statement of financial position of the Target Group as at 30 April 2017 and the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2016 as set out in Appendix III to this Circular; and are translated to Hong Kong dollars at the exchange rate ruling of RMB1 to HK$1.13 in the unaudited pro forma consolidated statement of financial position of the Restructured Group as at 31 March 2017 and RMB1 to HK$1.17 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Restructured Group for the year ended 31 March 2017.

(8) The adjustments represent the following:

(a) As if the Acquisition had been taken place on 31 March 2017, the Company shall acquire the entire equity interests in the Target Group. The consideration for the Acquisition is satisfied by the Company issuing and allotting 6,415,060,000 Consideration Shares (with nominal value of HK$0.01 each) to the Vendor at a consideration of HK$0.22 per Consideration Share for HK$1,411,313,200, and together with cash and the Promissory Note of HK$100,000,000, totaling HK$1,511,313,200. Consequently, the Vendors would hold 61% equity interest in the Company on 31 March 2017.

In this case, the Vendor is to obtain the Company and its construction materials business for the purpose of the Acquisition. Under HKFRS 3 (Revised), the Group will apply the reverse acquisition method to account for the Acquisition in the consolidated financial statements of the Group. It should be accounted for in the Restructured Group's financial statements as a continuation of the financial statements of the Target Group (legal acquiree), together with a deemed issue of equity, equivalent to the shares held by former shareholders of the Company, i.e. 4,048,962,525 (note 8(c)) shares of the Company multiplied by HK$0.22, equivalent to approximately HK$890,772,000 in exchange for the net assets of the Group.

The goodwill arising from the Acquisition is calculated as follows:

Assuming that the Acquisition had been taken place on 31 March 2017

	HK$'000
Deemed issued equity	890,772
Net assets of the Group	713,579
Less: Promissory note taken by the Group	(100,000)
	613,579
Goodwill arising on the Acquisition	277,193

The final valuation of the Consideration Shares may be different from the amounts stated herein. Such potential valuation difference (or a fair value change, if any) is not expected to have a material impact on the pro forma financial performance and position for the year ending 31 March 2018.

For the purpose of the preparation of the unaudited pro forma financial information, the directors of the Target Company have assessed whether the goodwill will be impaired as at 31 March 2017 on a pro forma basis in accordance with Hong Kong Accounting Standard 36 ("HKAS 36") "Impairment of Assets" based on the management's assessment on the recoverable amount of the cash generating unit comprising the goodwill. The recoverable amount under impairment assessment was derived based on the value-in-use calculations. It is assumed no significant fair value changes on the net assets of the Group when the fair value adjustment is performed at the date of the Completion. The directors of the Target Company determined an impairment of goodwill as the recoverable amount of the Company and its construction materials business is lower than its carrying amount of the cash generating unit arising from the Acquisition. Accordingly, in the pro forma consolidated statement of financial position of the Restructured Group, goodwill amounting to approximately HK$277,193,000 is recognised and fully impaired at 31 March 2017.

Assuming the Proposed Restructuring had been completed on 1 April 2016, the directors of the Target Company are of the opinion that the goodwill arising on the Acquisition will be fully impaired as at 1 April 2016 in accordance with HKAS 36. Accordingly, impairment of goodwill amounting to approximately HK$277,193,000 is recognised in the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017.

The actual amount of goodwill and impairment of goodwill will be based on the actual fair value of the Group as at the date of Completion which may be different from that presented above and the difference may be significant.

The adjustment represents the expenditures incurred directly in the Acquisition including Stock Exchange listing fee, legal and other professional fees, printing and other expenses of approximately HK$23,891,000. The adjustment has no continuing effect to the Restructured Group but will be reflected in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group in the year when these expenses actually incurred.

(b) The adjustments represents the elimination of shareholders loan of the Target Group. It is treated as equity transaction of the Target Group which only affects the unaudited pro forma consolidated statement of financial position as at 31 March 2017, but does not affect the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2017.

(c) The adjustments include the elimination of issued capital of the Target Company amounting to HK$344,000.

According to the paragraph B21 of HKFRS 3, the issued share capital is adjusted to reflect the legal capital of the accounting acquiree (legal parent — the Company). It is represented by the movements in the pro forma issued share capital of the Restructured Group as follows:

	Notes	**Number of Ordinary shares issued**	**Nominal value** *HK$'000*
At 31 March 2017		1,321,682,525	13,217
Issue of shares upon Shares Placing	*(5)(a)*	2,727,280,000	27,273
		4,048,962,525	40,490
Issuance and allotment of Consideration Shares[#]	*(8)(a)*	6,415,060,000	64,151
The pro forma issued share capital of the Restructured Group*		10,464,022,525	104,641

* Reconciliation of the pro forma issued share capital of the Restructured Group resulted from the issuance and allotment of Consideration Shares:

\# include 6,116,140,000 shares issued and allotted to Vendor and its controlling shareholder

	Nominal value *HK$'000*
Per above	104,641
Elimination of share capital of the Target Group	(344)
Pro forma adjustment (8)(b)	104,297

(9) Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Restructured Group entered into subsequent to 31 March 2017 where applicable.

E. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE RESTRUCTURED GROUP AS AT 31 MARCH 2017

	Unaudited pro forma consolidated net assets of the Group	Less: Intangible assets included in disposal groups classified as held for sale	Unaudited pro forma consolidated net tangible assets of the Group	Unaudited pro forma consolidated net tangible assets of the Group per share	Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group	Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$'000*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*	*Note 5*
Consolidated net tangible assets attributable to owners of the Company	115,665	(877)	114,788	0.09	1,374,349	0.13

Notes:

(1) The unaudited pro forma consolidated net assets of the Group as at 31 March 2017 is based on the amount of unaudited consolidated net assets attributable to the owners of the Company as at 31 March 2017, which is extracted from the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2017.

(2) The adjustment reflects the exclusion of the intangible assets of the Group as at 31 March 2017.

(3) The number of shares used for the calculation of the unaudited pro forma consolidated net tangible assets of the Group per share is 1,321,682,525, being the number of shares in issue as at 31 March 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group as at 31 March 2017 is based on the amount of the unaudited pro forma consolidated net assets attributable to the owners of the Company as at 31 March 2017, which is extracted from the unaudited pro forma consolidated statement of financial position of the Restructured Group of approximately HK$1,374,349,000.

(5) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share is 10,464,022,525 after completion of the Proposed Restructuring as at 31 March 2017 as described as follows:

	Number of Ordinary shares issued	Nominal value *HK$'000*
At 31 March 2017	1,321,682,525	13,217
Issue of shares upon Shares Placing	2,727,280,000	27,273
	4,048,962,525	40,490
Issuance and allotment of Consideration Shares	6,415,060,000	64,151
The pro forma issued share capital of the Restructured Group	10,464,022,525	104,641

(6) Apart from the above, no adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Restructured Group entered into subsequent to 31 March 2017 where applicable.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

The Board of Directors
U-RIGHT International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of U-RIGHT International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position and the pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 March 2017, the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 March 2017 and related notes as set out on pages V-3 to V-18 of the circular issued by the Company dated 27 October 2017 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages V-1 to V-2 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of (i) the Acquisition of the entire equity interest in Vivalink Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") (ii) the proposed increase in authorised share capital, (iii) the proposed share premium reduction, (iv) the placing of shares and convertible bonds and (v) the Disposal (collectively the "Proposed Restructuring") on the Group's financial position and net tangible assets attributable to the owners of the Company as at 31 March 2017 and financial performances and cash flows for the year ended 31 March 2017 as if the Proposed Restructuring had taken place on 31 March 2017 and 1 April 2016 respectively. As part of this process, information about the Group's financial position as at 31 March 2017 have been extracted by the directors from the Group's audited consolidated financial information for the year ended 31 March 2017, on which audit report issued by us have been published. Information about the Target Group's financial position as at 30 April 2017, its financial performance and cash flows for the year ended 31 December 2016, have been extracted by the directors from the accountants' report of the Target Group as set out in Appendix III to the Circular.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to

Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Restructuring as at 1 April 2016 and 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the

compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— The related pro forma adjustments give appropriate effect to those criteria; and

— The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

OPINION

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practicing Certificate Number P06353

Hong Kong, 27 October 2017

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of Vivalink Limited and its subsidiaries as at 31 July 2017.

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

27 October 2017

The Directors
U-RIGHT International Holdings Limited
Unit 2408, 24/F.
World-wide House
19 Des Voeux Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value the property interests of Vivalink Limited (referred to as the ''Company'') and its subsidiaries (together referred to as the ''Target Group'') in the People's Republic of China (the ''PRC'') (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 31 July 2017 (''the valuation date'').

As advised by the Company, the properties are all the properties held by the Target Group.

DEFINITION OF MARKET VALUE

Our valuations of each of the properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council (''IVSC''). Market Value is defined by the IVSC as ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion''.

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company regarding the title to each of the properties and the interests of the Target Group in the properties. In valuing the properties, we have assumed that the Target Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Target Group are set out in the notes of the respective valuation certificate.

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

"For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and as advised by the Target Group, the potential tax liabilities which may arise from the sale of the properties include:

(a) value added tax at a rate of 5% of consideration for the property in the PRC;

(b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and

(c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%.

As the subject transaction is equity in nature and property transaction will not be involved, the likelihood of any potential tax liability of these properties being crystallised is remote.

METHOD OF VALUATION

In valuing properties in Group I, which are properties held by the Target Group for occupation in the PRC, we have used direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market or by using investment approach on the basis of capitalisation of the potential income.

In valuing properties in Group II, which are held by the Target Group for sale in the PRC, we have used the direct comparison approach assuming sale of these properties in its existing state with the benefit of vacant possession by making reference to comparables sales transactions as available in the relevant market.

In valuing properties in Group III and IV, which are held by the Target Group under development and for future development respectively in the PRC, we have valued them on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Target Group (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuations, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments. The ''market value when completed'' represents our opinion of the aggregate selling prices of the development assuming that it were completed as at the valuation date.

In valuing the properties in Group V, which are leased and occupied by the Target Group in the PRC, we consider that the properties have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

Property No. 1 in Group I which is held by the Target Group for occupation in the PRC, comprise civil defense car parking spaces. We have generally ascribed no commercial value to the civil defense portions of the properties on market value basis as the Target Group has no title ownership of such civil defense spaces. For the Target Group's management reference, however, we are requested to separately assess the worth of the civil defense car parking spaces of Group I in their respective existing state on a non-market value basis. Such worth, known as investment value, according to the International Valuation Standards, which the HKIS Valuation Standards follow, is defined as ''the value of an investment asset to the owner or a prospective owner for individual investment or operational objectives''. Investment value is an entity-specific basis of value which reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. Investment value of each of these properties to the Target Group has been separately stated in the notes of the respective valuation certificate. It must be emphasised that the investment value is not market value.

SOURCES OF INFORMATION

We have been provided by the Target Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Target Group and its legal adviser, Commerce & Finance Law Offices (通商律師事務所) regarding the title to each of the properties and the interests of the Target Group in the properties. We have accepted advice given by the Target Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Target Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Group which is material to the valuations. We were also advised by the Target Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Target Group regarding the Target Group's interests in the PRC properties.

SITE INSPECTION

Our Changsha office valuers Ms. Merry Mo and Ms. Jessie Zhang have inspected the exterior and, whenever possible, the interior of the properties in May 2017. Ms. Merry X. Y. Mo is a Member of China Institute of Land Appraisers. She has over 2 years experience in valuation of various kinds of properties in China. Ms. Jessie J. Zhang a Member of China Institute of Land Appraisers. She has over 2 years experience in valuation of various kinds of properties in China. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Regional Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor (General Practice Division) who has over 29 years' experience in various fields of the property industry in the PRC. He has been providing advice relating to property valuation, development consultancy and land administration matters in the PRC and has participated in assignments associated with property market research.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 July 2017 *(RMB)*	Interest attributable to the Target Group *(%)*	Market value in existing state attributable to the Target Group as at 31 July 2017 *(RMB)*
Group I — Completed property held by the Target Group for occupation in the PRC				
1.	Units 36006 and 36007 of Zone B and car parking space Nos. 370, 371, 1322 to 1325 on Basement Level 1 of Zone A, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC	510,000	100	510,000
	Sub-total of Group I:	**510,000**		**510,000**
Group II — Completed properties held by the Target Group for sale in the PRC				
2.	Unsold portion of Qian Long Academy, No.28 Xinkaipu Road, Tianxin District, Changsha, Hunan Province, the PRC	1,000,000	100	1,000,000
3.	Unsold portion of Qian Long Fine Art, No.1 Furong South Road, Tianxin District, Changsha, Hunan Province, the PRC	66,000,000	100	66,000,000
4.	Unsold portion of Qianlong Premier Mansion, No.66 Tianjian Road, Tianxin District, Changsha, Hunan Province, the PRC	36,000,000	100	36,000,000

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 July 2017 *(RMB)*	Interest attributable to the Target Group *(%)*	Market value in existing state attributable to the Target Group as at 31 July 2017 *(RMB)*
5.	Unsold portion of Phase I and II of the completed portion of Qianlong Royal Family, No. 1 Xinglian Road, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC	95,000,000	100	95,000,000
6.	The completed and unsold portion of Qianlong International, Xinglian Village, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC	334,000,000	100	334,000,000
	Sub-total of Group II:	**532,000,000**		**532,000,000**
Group III — Properties held by the Target Group under development in the PRC				
7.	The under construction development known as Block Nos. 16, 18 19, 21, 24 to 27 of Phase II of Qianlong Royal Family, No. 1 Xinglian Road, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC	739,000,000	100	739,000,000

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 July 2017 *(RMB)*	Interest attributable to the Target Group *(%)*	Market value in existing state attributable to the Target Group as at 31 July 2017 *(RMB)*
8.	The under construction development known as Fullsun International Financial Centre on Land Plot No. A5, on the south-east of the junction of Zhilu No. 9 and Xiaoxiang Zhong Road, Binjiang Xincheng Sub-district, Yuelu District, Changsha, Hunan Province, the PRC	2,026,000,000	100	2,026,000,000
	Sub-total of Group III:	**2,765,000,000**		**2,765,000,000**

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 July 2017 *(RMB)*	Interest attributable to the Target Group *(%)*	Market value in existing state attributable to the Target Group as at 31 July 2017 *(RMB)*
Group IV — Properties held by the Target Group for future development in the PRC				
9.	The development site for the proposed development known as portion of Phase II of Qianlong Royal Family, No. 1 Xinglian Dong Road, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC	152,000,000	100	152,000,000
10.	The development site for portion of the proposed development known as Qianlong International, Xinglian Village, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC	461,000,000	100	461,000,000
	Sub-total of Group IV:	**613,000,000**		**613,000,000**

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 July 2017 *(RMB)*	Interest attributable to the Target Group *(%)*	Market value in existing state attributable to the Target Group as at 31 July 2017 *(RMB)*
Group V — Properties leased and occupied by the Target Group in the PRC				
11.	Units 36001 and 36002, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC	No Commercial Value	100	No Commercial Value
12.	Unit 36003, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC	No Commercial Value	100	No Commercial Value
13.	Units 36004 and 36005, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC	No Commercial Value	100	No Commercial Value
	Sub-total of Group V:	**No Commercial Value**		**No Commercial Value**
	Grand total of Groups I to V:	**3,910,510,000**		**3,910,510,000**

VALUATION CERTIFICATE

Group I — Completed property held by the Target Group for occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
1.	Units 36006 and 36007 of Zone B and car parking space Nos. 370, 371, 1322 to 1325 on Basement Level 1 of Zone A, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 中山路589號 萬達廣場B區 36006及36007單元、 A區地下1層370、 371、1322至1325號 車位	The property comprises two storage units with a total gross floor area of 78.86 sq.m. and 6 basement car parking spaces of Wanda Plaza which is completed in 2013. The property is held with land use rights for a term due to expire on 29 July 2050 for storage use.	As at the valuation date, the property was owner-occupied.	RMB510,000 (100% interest attributable to the Target Group RMB510,000)

Notes:

(1) As advised by the Target Group, the property comprises 6 civil defense car parking spaces. The investment value of the whole property including the civil defense car parking spaces in existing state as at the valuation date to the Target Group was RMB1,410,000 (100% interest attributable to the Target Group RMB1,410,000).

(2) According to two Real Estate Title Certificates No. 714309072 and 714309075 both dated 4 December 2014, the property comprises two storage units of Wanda Plaza with a total gross floor area of 78.86 sq.m.. The land use rights and building ownership of the property has been vested in 湖南福晟集團有限公司 (Hunan Fullsun Group Company Limited) for a term due to expire on 29 July 2050 for storage use.

(3) According to Business License No. 430000000036445 dated 1 June 2015, 湖南福晟集團有限公司 (Hunan Fullsun Group Company Limited) was established as a limited liability company with a registered capital of RM445,000,000.

(4) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 湖南福晟集團有限公司 (Hunan Fullsun Group Company Limited) is the sole legal owner of the property; and

(iii) 湖南福晟集團有限公司 (Hunan Fullsun Group Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南福晟集團有限公司 (Hunan Fullsun Group Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance.

(5) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificates	Yes
Business License	Yes

(6) In our valuation, we have assumed an average unit price of approximately RMB6,500 per sq.m. for storage portion and of approximately RMB150,000 per car parking space.

(7) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB6,500 and RMB8,800 per sq.m. for storage portion and between RMB158,000 and RMB160,000 per lot for car park portion. The unit prices assumed by DTZ are consistent with the said sales transactions and asking price references. Due to adjustments to the unit prices of those sales transactions and asking price, references have been made to reflect factors including but not limited to time, location, size, floor, difference and quality in arriving at the key assumptions.

VALUATION CERTIFICATE

Group II — Completed properties held by the Target Group for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
2.	Unsold portion of Qian Long Academy, No. 28 Xinkaipu Road, Tianxin District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市天心區 新開鋪路28號 錢隆學府 未售部份	Qian Long Academy is a residential development erected on 3 parcels of land with total site area of approximately 66,459.88 sq.m.. The property comprises the unsold portion of Qian Long Academy which is completed between 2012 and 2014. The details of the gross floor area of the property are as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Basement car park (including civil defense) — 8,720.70 Ancillary and others — 3,494.04 **Total** — **12,214.74** As advised by the Target Group, the car park portion and the civil defense portion in the basement have gross floor areas of 482.41 sq.m. and 8,238.29 sq.m. respectively. As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times. The property with site area 50,773.96 sq.m. is held with land use rights for terms due to expire between 19 January 2079 and 14 September 2079 for residential use. The remaining portion of the property is held with land use rights under the type of Allocated Land for education use. The land use term is without expiry date.	As at the valuation date, the property was vacant.	RMB1,000,000 (100% interest attributable to the Target Group RMB1,000,000)

Notes:

(1) According to 2 State-owned Land Use Rights Certificates issued by 長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of 2 parcels of land with a total site area of 50,773.96 sq.m. have been vested in 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) with details as follows:

Certificate No.	Issue Date	Land Use	Land Plot No.	Land Use Term Expiry Date	Site Area *(sq.m.)*
(2010)004996	9 February 2010	Residential	0303030024-1	19 January 2079	49,703.15
(2009)048466	28 September 2009	Residential	0303030064	14 September 2079	1,070.81
Total					**50,773.96**

According to State-owned Land Use Rights Certificate issued by長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of a parcel of land with a total site area of 15,685.92 sq.m. have been vested in 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) under the type of Allocated Land for education use. The land use term is without expiry date.

(2) According to 16 Completion Examination Record Forms dated between 29 December 2011 and 18 October 2013, the construction works of the subject development with a total gross floor area of 174,088.31 sq.m. have been examined and completed.

(3) As advised by the Target Group, a portion of the property with a total gross floor area of approximately 110.67 sq.m. is subject to various agreements for sale and purchase for a total consideration of RMB222,120. The possession of this property has not been delivered to the purchasers as at the valuation date. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(4) According to Business License No. 430000000006042 dated 26 December 2014, 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RM400,000,000.

(5) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(6) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificates	Yes
Completion Examination Record Forms	Yes
Business License	Yes

(7) In our valuation, we have assumed an average unit price of approximately RMB70,000 per car parking space (as advised by the Target Group, the average size per car parking space is approximately 35 sq.m.).

(8) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB70,000 and RMB80,000 per lot for car park portion (with the average size per car parking space in the range between approximately 35 sq.m. and 40 sq.m.). The unit prices assumed by DTZ are consistent with the said sales transactions and asking price references. Due to adjustments to the unit prices of those sales transactions and asking price, references have been made to reflect factors including but not limited to time, location, size, floor, difference and quality in arriving at the key assumptions.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
3.	Unsold portion of Qian Long Fine Art, No. 1 Furong South Road, Tianxin District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市天心區 芙蓉南路1號 錢隆樽品 未售部份	Qian Long Fine Art is a residential/ commercial development erected on 3 parcels of land with total site area of approximately 60,857.64 sq.m.. Qian Long Fine Art is developed in 3 phases. Phase I, II and III are completed in 2010, 2012 and 2014 respectively. The property comprises the unsold portion of Qian Long Fine Art. The details of the gross floor area of the property are as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Retail properties — 1,884.00 Civil Defense — 11,109.66 Ancillary and others — 6,586.14 **Total** — **19,579.80** As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times. Portion of the property with site area 58,890.86 sq.m. is held with land use rights for a term due to expire on 30 August 2046, 30 August 2076 and 30 August 2056 for commercial, residential and greenery uses respectively. The remaining portion of the property is held with land use rights under the type of Allocated Land for greenery area, road and plaza uses. The land use term is without expiry date.	As at the valuation date, the property was vacant.	RMB66,000,000 (100% interest attributable to the Target Group RMB66,000,000)

Notes:

(1) According to 2 State-owned Land Use Rights Certificates issued by 長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of the property with a total site area of 58,890.86 sq.m. have been vested in 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) with details as follows:

Certificate No.	Issue Date	Land Use	Land Plot No.	Land Use Term Expiry Date	Site Area *(sq.m.)*
(2007)021135	31 May 2007	Commercial, Residential and Greenery	3071003-3-1	Commercial: 30 August 2046 Residential: 30 August 2076 Greenery: 30 August 2056	53,000.12
(2011)067875	29 June 2011	Commercial and Residential	0302070099	Commercial: 30 August 2046 Residential: 30 August 2076	5,890.74
Total					**58,890.86**

According to State-owned Land Use Rights Certificate issued by 長沙市國土資源局 (Changsha City Land Resources Bureau) dated 19 April 2010, the land use rights of a parcel of land with a total site area of 1,966.78 sq.m. have been vested in 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) under the type of Allocated Land for greenery area, road and plaza uses. The land use term is without expiry date.

(2) According to 4 Completion Examination Record Forms Nos. 2010-1028 to 1031 all dated 3 August 2010, the construction works of Phase 1 of Qian Long Fine Art with a total gross floor area of 68,722.17 sq.m. have been examined and completed.

According to 6 Completion Examination Record Forms Nos. 2012-0069 to 0074 all dated 16 December 2011, the construction works of Phase 2 of Qian Long Fine Art with a total gross floor area of 121,081.40 sq.m. have been examined and completed.

According to 4 Completion Examination Record Forms Nos. 2014-659 to 662 all dated 31 July 2014, the construction works of Phase 3 of Qian Long Fine Art with a total gross floor area of 64,367.23 sq.m. have been examined and completed.

(3) According to Business License No. 430000000006042 dated 26 December 2014, 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RM400,000,000.

(4) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(5) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificates	Yes
Completion Examination Record Forms	Yes
Business License	Yes

(6) In our valuation, we have assumed an average unit price of approximately RMB35,000 per sq.m. for retail portion (Level 1) and of approximately RMB90,000 per car parking space.

(7) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB31,300 and RMB39,300 per sq.m. for retail portion (Level 1) and between RMB85,000 and RMB110,000 per car parking space. The unit prices assumed by DTZ are consistent with the said sales transactions and asking price references. Due to adjustments to the unit prices of those sales transactions and asking price, references have been made to reflect factors including but not limited to time, location, size, floor, difference and quality in arriving at the key assumptions.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
4.	Unsold portion of Qianlong Premier Mansion, No. 66 Tianjian Road, Tianxin District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市天心區 天劍路66號 錢隆首府 未售部分	Qianlong Premier Mansion is a residential development erected on land with total site area of approximately 52,103.26 sq.m.. The property comprises the unsold portion of Qianlong Premier Mansion which is completed in 2015. The details of the gross floor area of the property are as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Residential properties — 278.23 Basement car park (including civil defense) — 11,896.93 Ancillary and others — 3,520.50 **Total** — **15,695.66** As advised by the Target Group, the car park and the civil defense portion in the basement have gross floor areas of 5,644.93 sq.m. and 6,252.00 sq.m. respectively. As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times. The property is held with land use rights for terms due to expire on 25 May 2080 and 20 September 2054 for residential and commercial uses respectively.	As at the valuation date, the property was vacant.	RMB36,000,000 (100% interest attributable to the Target Group RMB36,000,000)

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2015) 020868 issued by 長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of the property with a total site area of 52,103.26 sq.m. have been vested in 湖南中旅房地產發展有限公司 (Hunan Zhonglv Real Estate Development Company Limited) for land use terms due to expire on 25 May 2080 and 20 September 2054 for residential and commercial uses respectively.

(2) According to 12 Completion Examination Record Forms Nos. 2014-634 to 638, 640, 641 , 2015-1132 to 1136 dated between 31 July 2014 and 4 December 2015, the construction works of the subject development with a total gross floor area of 177,792.14 sq.m. have been examined and completed.

(3) According to 4 Survey Reports issued by Changsha City Survey and Mapping Team, the detailed breakdown of gross floor area of the construction work with a total gross floor area of 60,244.25 sq.m. are provided.

(4) As advised by the Target Group, a portion of the property with a total gross floor area of approximately 154.32 sq.m. is subject to various agreements for sale and purchase for a total consideration of RMB612,531. The possession of this property has not been delivered to the purchasers as at the valuation date. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(5) According to Business License No. 430000000010566 dated 31 October 2014, 湖南中旅房地產發展有限公司 (Hunan Zhonglv Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB158,820,000 for a valid operation period from 20 September 2007 to 19 September 2027.

(6) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;

(ii) 湖南中旅房地產發展有限公司 (Hunan Zhonglv Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南中旅房地產發展有限公司 (Hunan Zhonglv Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南中旅房地產發展有限公司 (Hunan Zhonglv Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(7) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Completion Examination Record Forms	Yes
Survey Reports	Yes
Business License	Yes

(8) In our valuation, we have assumed an average unit price of approximately RMB9,200 per sq.m. for residential portion and of RMB180,000 per car parking space (as advised by the Target Group, the average size per car parking space is approximately 38 sq.m.).

(9) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB9,000 and RMB10,500 per sq.m. for residential portion and between RMB150,000 and RMB240,000 per lot for car park portion (with the average size per car parking space in the range between approximately 35 sq.m. and 40 sq.m.). The unit prices assumed by DTZ are consistent with the said sales transactions and asking price references. Due to adjustments to the unit prices of those sales transactions and asking price, references have been made to reflect factors including but not limited to time, location, size, floor, difference and quality in arriving at the key assumptions.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
5.	Unsold portion of Phase I and II of the completed portion of Qianlong Royal Family, No. 1 Xinglian Road, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 新港鎮興聯路1號 錢隆世家1期及2期 完工未售部分	Upon completion, Qianlong Royal Family is a residential/commercial development erected on land with total site area of approximately 120,915.46 sq.m.. Completed between 2015 and 2016, the property comprises the unsold portion of the completed portion of Phase I and II of Qianlong Royal Family. The details of the gross floor area of the property is as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Residential properties — 211.26 Retail properties — 2,384.11 Basement car park — 10,320.15 Ancillary and others — 6,982.13 **Total** — **19,897.65** The property is held with land use rights for a term due to expire on 8 December 2050 for commercial use and 8 December 2080 for residential use.	As at the valuation date, the property was vacant.	RMB95,000,000 (100% interest attributable to the Target Group RMB95,000,000)

Notes:

(1) According to 6 State-owned Land Use Rights Certificates issued by 長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of the property with a total site area of 120,915.46 sq.m. have been vested in 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) for a land use term due to expire on 8 December 2050 for commercial use and 8 December 2080 for residential use.

Certificate No.	Issue Date	Land Use	Land Plot No.	Land Use Term Expiry Date	Site Area *(sq.m.)*
(2013)048123	4 June 2013	Commercial, Residential	430105008005GY00011	Commercial: 8 December 2050 Residential: 8 December 2080	14,492.33
(2013)048124	4 June 2013	Commercial, Residential	430105008005GY00013	Commercial: 8 December 2050 Residential: 8 December 2080	17,897.15
(2013)048121	4 June 2013	Commercial, Residential	430105008005GY00009	Commercial: 8 December 2050 Residential: 8 December 2080	19,678.19
(2013)048125	4 June 2013	Commercial, Residential	430105008005GY00012	Commercial: 8 December 2050 Residential: 8 December 2080	2,064.51
(2013)048126	4 June 2013	Commercial, Residential	430105008005GY00010	Commercial: 8 December 2050 Residential: 8 December 2080	28,787.43
(2013)048122	4 June 2013	Commercial, Residential	430105008005GY00008	Commercial: 8 December 2050 Residential: 8 December 2080	37,995.85
Total					**120,915.46**

(2) According to 22 Completion Examination Record Forms dated between 15 August 2014 and 22 November 2016, the construction works of the subject development with a total gross floor area of 180,945.62 sq.m. have been examined and completed.

(3) According to 8 Survey Reports issued by Changsha City Survey and Mapping Team, the detailed breakdown of gross floor area of the construction work with a total gross floor area of 46,208.79 sq.m. are provided.

(4) As advised by the Target Group, a portion of the property with a total gross floor area of approximately 92.81 sq.m. is subject to various agreements for sale and purchase for a total consideration of RMB538,656. The possession of this portion of the property has not been delivered to the purchasers as at the valuation date. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(5) According to Business License No. 430000000065511 dated 26 December 2014, 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB400,806,500 for a valid operation period from 5 November 2009 to 4 November 2059.

(6) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(7) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificates	Yes
Completion Examination Record Forms	Yes
Survey Reports	Yes
Business License	Yes

(8) In our valuation, we have assumed an average unit price of approximately RMB6,500 per sq.m. for high-rise residential portion, of approximately RMB30,000 per sq.m. for retail portion (Level 1) and of approximately RMB85,000 per car parking space (as advised by the Target Group, the average size per car parking space is approximately 39 sq.m.).

(9) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB6,800 and RMB7,000 per sq.m. for high-rise residential portion, between RMB33,000 and 36,700 per sq.m. for retail portion (Level 1) and between RMB80,000 to RMB92,000 per car parking space (with the average size per car parking space in the range between approximately 35 sq.m. and 40 sq.m.). The unit prices assumed by DTZ are consistent with the said sales transactions and asking price references. Due to adjustments to the unit prices of those sales transactions and asking price, references have been made to reflect factors including but not limited to time, location, size, floor, difference and quality in arriving at the key assumptions.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
6.	The completed and unsold portion of Qianlong International, Xinglian Village, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 新港鎮興聯村 錢隆國際 完工未售部份	Upon completion, Qianlong International is a residential/commercial development erected on land with a total site area of approximately 49,487.65 sq.m.. Completed in 2017, the property comprises the completed and unsold portion of Qianlong International. The details of the gross floor area of the property are as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Retail properties 21,406.68 Ancillary and others 108.37 Basement Car park (including civil defense) 6,050.80 **Total** **27,565.85** As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times. The property is held with land use rights for a term due to expire on 8 August 2053 for commercial use and due to expire on 8 August 2083 for residential use.	As at the valuation date, the property was vacant.	RMB334,000,000 (100% interest attributable to the Target Group RMB334,000,000)

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2014)070835 issued by 長沙市國土資源局 (Changsha City Land Resources Bureau) on 30 June 2014, the land use rights of the property with a total site area of 49,487.65 sq.m. have been vested in 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) for a term due to expire on 8 August 2053 for commercial use and due to expire on 8 August 2083 for residential use.

(2) According to Grant Contract of State-owned Land Use Rights No. 2014000005 entered into between 長沙市國土資源局 (Changsha City Land Resources Bureau) ("the Grantor") and 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) ("the Grantee") on 14 January 2014, the property with a total site area of 49,487.65 sq.m. have been granted to the Grantee for a term due to expire on 8 August 2053 for commercial use and due to expire on 8 August 2083 for residential use.

Contract No.	**Land Use**	**Land Plot No.**	**Site Area** *(sq.m.)*	**Plot Ratio**
201400005	Commercial and Residential	0508050007	49,487.65	Not exceeding 4
Total			**49,487.65**	

(3) According to Planning Permit for Construction Use of Land No. (2014)0066 issued by Changsha Urban Planning Bureau on 25 July 2014, the construction site of a parcel of land for the development of Qianlong International Project with a site area of approximately 49,487.65 sq.m. is in compliance with the urban planning requirements and has been approved.

(4) According to Planning Permit for Construction Works issued by Changsha Urban Planning Bureau on 23 November 2015, the construction works of the property with a permitted gross floor area of 31,244.32 sq.m. are in compliance with the construction works requirements and have been approved.

(5) According to Permit for Commencement of Construction Works No. 430101201603070201 issued by Changsha Real Estate and Urban Construction Committee on 7 March 2016, the construction works of the property with a total gross floor area 31,244.32 sq.m. are in compliance with the requirements for works commencement and have been permitted.

(6) According to a Completion Examination Record Form dated 29 March 2017, the construction works of the subject development with a gross floor area of 31,194.25 sq.m. have been examined and completed.

(7) According to Business License No. 430000000103631 dated 26 March 2014, 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB30,000,000 for a valid operation period from 23 August 2013 to 22 August 2063.

We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;

(ii) 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(8) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Completion Examination Record Form	Yes
Business License	Yes

(9) In our valuation, we have assumed an average unit price of approximately RMB35,000 per sq.m. for retail portion (Level 1) and of approximately RMB130,000 per lot for car parking space (as advised by the Target Group, the average size per car parking space is approximately 35 sq.m.).

(10) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB33,000 and RMB36,700 per sq.m. for retail portion (Level 1) and between RMB92,000 and RMB180,000 per car parking space (with the average size per car parking space in the range between approximately 35 sq.m. and 40 sq.m.).

VALUATION CERTIFICATE

Group III — Properties held by the Target Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
7.	The under construction development known as Block Nos. 16, 18, 19, 21, 24 to 27 of Phase II of Qianlong Royal Family, No. 1 Xinglian Road, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省長沙市開福區新港鎮興聯路1號錢隆世家2期16, 18, 19, 21、24至27在建工程	Upon completion, Qianlong Royal Family is a residential/commercial development erected on land with total site area of approximately 120,915.46 sq.m.. The property comprises Block Nos. 16, 18, 19, 21, 24 to 27 of Phase II of Qianlong Royal Family which are under construction. The details of the planned gross floor area is as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Residential properties 146,082.55 Retail properties 5,857.43 Basement car park (including civil defense) 51,964.54 Ancillary and others 2,367.34 **Total** **206,271.86** As advised by the Target Group, the car park portion and the civil defense portion have gross floor areas of 32,194.54 sq.m. and 19,770.00 sq.m. respectively. As advised by the Target Group, the property is scheduled to be completed in 2019. The property is held with land use rights for a term due to expire on 8 December 2050 for commercial use and 8 December 2080 for residential use.	As at the valuation date, the property was under construction.	RMB739,000,000 (100% interest attributable to the Target Group RMB739,000,000)

Notes:

(1) According to 6 State-owned Land Use Rights Certificates issued by 長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of the property with a total site area of 120,915.46 sq.m. have been vested in 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) for a land use term due to expire on 8 December 2050 for commercial use and 8 December 2080 for residential use.

Certificate No.	Issue Date	Land Use	Land Plot No.	Land Use Term Expiry Date	Site Area *(sq.m.)*
(2013)048123	4 June 2013	Commercial, Residential	430105008005 GY00011	Commercial: 8 December 2050 Residential: 8 December 2080	14,492.33
(2013)048124	4 June 2013	Commercial, Residential	430105008005 GY00009	Commercial: 8 December 2050 Residential: 8 December 2080	17,897.15
(2013)048121	4 June 2013	Commercial, Residential	430105008005 GY00013	Commercial: 8 December 2050 Residential: 8 December 2080	19,678.19
(2013)048125	4 June 2013	Commercial, Residential	430105008005 GY00012	Commercial: 8 December 2050 Residential: 8 December 2080	2,064.51
(2013)048126	4 June 2013	Commercial, Residential	430105008005 GY00010	Commercial: 8 December 2050 Residential: 8 December 2080	28,787.43
(2013)048122	4 June 2013	Commercial, Residential	430105008005 GY00008	Commercial: 8 December 2050 Residential: 8 December 2080	337,995.85
Total					**120,915.46**

(2) According to Grant Contract of State-owned Land Use Rights No. 2010000253 and its Supplements entered into between 長沙市國土資源局 (Changsha City Land Resources Bureau) ("the Grantor") and 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) ("the Grantee"), the property with a total site area of 120,915.46 sq.m. have been granted to the Grantee for a term due to expire on 8 December 2050 for commercial use and due to expire on 8 December 2080 for residential use.

Contract No.	**Land Use**	**Land Plot No.**	**Site Area** *(sq.m.)*	**Plot Ratio**
2010000253	Commercial and Residential	0508050007-1	120,915.46	Not exceeding 3.01
Total			**120,915.46**	

(3) According to Planning Permit for Construction Use of Land No. (2011)0014 issued by Changsha Urban Planning Bureau on 30 March 2011, the construction site of a parcel of land with an area of 166,909.75 sq.m. is in compliance with the requirements of urban planning.

(4) According to 5 Planning Permits for Construction Works issued by Changsha Urban Planning Bureau, the construction works of the property with a total permitted gross floor area of 207,308.18 sq.m. are in compliance with the construction works requirements and have been approved with details as follows:

Permit No.	**Issue Date**	**Location/Phase**	**Gross Floor Area** *(sq.m.)*
(2016)0151	11 October 2016	Block Nos. 16 and 19	49,478.64
(2016)0044	29 March 2016	Block No. 18	22,174.29
(2016)0152	11 October 2016	Block No. 21	13,536.62
(2015)0053	7 December 2015	Block Nos. 24 to 27	73,117.73
(2012)0119	13 April 2016	Basement C	49,000.90
Total			207,308.18

(5) According to 3 Permits for Commencement of Construction Works issued by Housing and Construction Bureau of Changsha, the construction works of the property with a gross floor area of 203,512.73 sq.m. are in compliance with the requirements for works commencement and have been permitted, with details as follows:

Permit No.	**Issue Date**	**Location/Phase**	**Gross Floor Area** *(sq.m.)*
430101201610310101	31 October 2016	Block Nos. 21 and 24 to 27	82,858.9
430101201704130101	13 April 2017	Block Nos. 16 and 19	49,478.64
430101201605190101	19 May 2016	Block 18 and Basement C	71,175.19
Total			**203,512.73**

(6) According to a Commodity Housing Gross Floor Area Forecast Report dated 30 November 2016, the detailed breakdown of gross floor area of the construction works of Block 24 with a gross floor area of 13,171.91 sq.m.. is provided.

(7) As advised by the Target Group, the total expended cost of the property as at the valuation date was RMB174,505,985 whilst the outstanding construction cost for completion of the property as at the valuation date was RMB213,285,119. We have taken into account the said amounts in our valuation.

(8) The market value when completed of the property as at the valuation date is estimated to be approximately RMB1,134,000,000.

(9) As advised by the Target Group, a portion of the property with a total gross floor area of approximately 82,367.64 sq.m. is subject to various agreements for sale and purchase for a total consideration of RMB509,883,735. The possession of this portion of the property has not been delivered to the purchasers as at the valuation date. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(10) According to Business License No. 430000000065511 dated 26 December 2014, 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB400,806,500 for a valid operation period from 5 November 2009 to 4 November 2059.

(11) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(12) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificates	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Gross Floor Area Verification Forms	Yes
Permits for Commencement of Construction Works	Yes
Commodity Housing Gross Floor Area Forecast Report	Yes
Business License	Yes

(13) In our valuation, we have assumed an average unit price of approximately RMB6,500 per sq.m. for high-rise residential portion, of approximately RMB30,000 per sq.m. for the retail properties portion, and of approximately RMB85,000 per car parking space (as advised by the Target Group, the average size per car parking space is approximately 36 sq.m.).

(14) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB6,800 and RMB7,000 per sq.m. for high-rise residential portion, between RMB33,000 and RMB36,700 per sq.m. for retail properties (L1) and between RMB80,000 and RMB92,000 per car parking space (with the average size per car parking space in the range between approximately 35 sq.m. and 40 sq.m.). The unit prices assumed by DTZ are consistent with the said sales transactions and asking price references. Due to adjustments to the unit prices of those sales transactions and asking price, references have been made to reflect factors including but not limited to time, location, size, floor, difference and quality in arriving at the key assumptions.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
8.	The under construction development known as Fullsun International Financial Centre on Land Plot No. A5, on the south-east of the junction of Zhilu No. 9 and Xiaoxiang Zhong Road, Binjiang Xincheng Sub-district, Yuelu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市岳麓區 濱江新城片區 瀟湘中路與支路九 交匯東南角 A5地塊 福晟國際金融中心 在建工程	Upon completion, Fullsun International Financial Centre is commercial development erected on land with a total site area of approximately 16,461.30 sq.m.. The details of the planned gross floor area of the property are as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Office properties — 80,532.93 Retail properties — 48,519.78 Basement car park (including civil defense) — 30,202.91 Ancillary and others — 4,605.33 **Total** — **163,860.95** As advised by the Target Group, the car park portion and the civil defense portion in the basement have gross floor areas of 26,579.91 sq.m. and 3,623.00 sq.m. respectively. As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times. As advised by the Target Group, the property is scheduled to be completed in 2017. The property is held with land use rights for a term due to expire on 13 August 2053 for commercial use.	As at the valuation date, the property was under construction.	RMB2,026,000,000 (100% interest attributable to the Target Group RMB2,026,000,000)

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2014)052570 issued by 長沙市國土資源局 (Changsha City Land Resources Bureau) on 19 May 2014, the land use rights of the property with a total site area of 16,461.30 sq.m. have been vested in 湖南隆祥房地產開發有限公司 (Hunan Longxiang Real Estate Development Company Limited) for a term due to expire on 13 August 2053 for commercial use.

(2) According to Grant Contract of State-owned Land Use Rights No. 2013030 entered into between 長沙市國土資源局 (Changsha City Land Resources Bureau) ("the Grantor") and 湖南隆祥房地產開發有限公司 (Hunan Longxiang Real Estate Development Company Limited) ("the Grantee") on 14 August 2013, the property with a total site area of 19,928.08 sq.m. have been granted to the Grantee for a term due to expire on 13 August 2053 for commercial use.

Contract No.	**Land Use**	**Land Plot No.**	**Site Area** *(sq.m.)*	**Plot Ratio**
2013030	Commercial	0401029859	19,928.08	Not exceeding 6.50
Total			**19,928.08**	

(3) According to Planning Permit for Construction Use of Land No. (2014)0032 issued by Changsha Urban Planning Bureau on 11 June 2014, the construction site of a parcel of land for the development of Fullsun International Financial Centre with a site area of approximately 19,928.08 sq.m. is in compliance with the urban planning requirements and has been approved.

(4) According to Planning Permit for Construction Works No. (2016)0020 and (2016)0016 issued by Changsha Urban Planning Bureau on 19 September 2016, the construction works of the property with a total permitted gross floor area of 165,380.94 sq.m. are in compliance with the construction works requirements and have been approved.

(5) According to Permits for Commencement of Construction Works No. 430112201603240101 and 430112201600628010l issued by Changsha Real Estate and Urban Construction Committee dated between 24 March 2016 and 28 June 2016, the construction works of the property with a total gross floor area 165,380.94 sq.m. are in compliance with the requirements for works commencement and have been permitted.

(6) According to Commodity Housing Gross Floor Area Forecast Report, the gross floor area of the property is 163,861.46 sq.m..

(7) As advised by the Target Group, the total expended cost of the property as at the valuation date was RMB767,928,076 whilst the outstanding construction cost for completion of the property as at the valuation date was RMB135,516,719. We have taken into account the said amounts in our valuation.

(8) The market value when completed of the property is estimated approximately RMB2,592,000,000.

(9) According to Business License No. 430000000103615 dated 18 February 2014, 湖南隆祥房地產開發有限公司 (Hunan Longxiang Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB59,000,000 for a valid operation period from 23 August 2013 to 22 August 2063.

(10) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;

(ii) 湖南隆祥房地產開發有限公司 (Hunan Longxiang Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南隆祥房地產開發有限公司 (Hunan Longxiang Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南隆祥房地產開發有限公司 (Hunan Longxiang Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(11) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes

(12) In our valuation, we have assumed an average unit price of approximately RMB45,000 per sq.m. for retail portion (Level 1), of approximately RMB15,500 per sq.m. for office portion and of approximately RMB180,000 per lot for car parking space (as advised by the Target Group, the average size per car parking space is approximately 30 sq.m.).

(13) In the course of our valuation, we have made references to various recent sales transactions and asking prices of some similar developments which have characteristics comparable to the property. The prices of those sales transactions are in a range between RMB44,000 and RMB49,100 per sq.m. for retail portion (Level 1), between RMB13,000 and RMB18,100 per sq.m. for office portion and between RMB150,000 and RMB200,000 per car parking space (with the average size per car parking space in the range between approximately 35 sq.m. and 40 sq.m.).

VALUATION CERTIFICATE

Group IV — Properties held by the Target Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
9.	The development site of the proposed development known as portion of Phase II of Qianlong Royal Family, No. 1 Xinglian Dong Road, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省長沙市開福區新港鎮興聯東路1號錢隆世家2期部份待建土地	Upon completion, Qianlong Royal Family is a residential/commercial development erected on land with total site area of approximately 120,915.46 sq.m.. The property comprises the development site on which portion of the proposed Qianlong Royal Family Phase II will be erected. As advised by the Target Group, the proposed development is a residential/commercial property. The details of the planned gross floor area of the proposed development are as follows: **Use** — **Approximate gross floor area** *(sq.m.)* Apartment — 22,830.86 Retail properties — 10,962.02 Hotel — 15,136.12 Basement car park — 2,071.00 Ancillary and others — 99.00 **Total** — **51,099.00** As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times. The property is held with land use rights for a term due to expire on 8 December 2050 for commercial use and 8 December 2080 for residential use.	As at the valuation date, the property was vacant land.	RMB152,000,000 (100% interest attributable to the Target Group RMB152,000,000)

Notes:

(1) According to 6 State-owned Land Use Rights Certificates issued by 長沙市國土資源局 (Changsha City Land Resources Bureau), the land use rights of the property with a total site area of 120,915.46 sq.m. have been vested in 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) for a land use term due to expire on 8 December 2050 for commercial use and 8 December 2080 for residential use.

Certificate No.	Issue Date	Land Use	Land Plot No.	Land Use Term Expiry Date	Site Area *(sq.m.)*
(2013)048123	4 June 2013	Commercial, Residential	430105008005 GY00011	Commercial: 8 December 2050 Residential: 8 December 2080	14,492.33
(2013)048124	4 June 2013	Commercial, Residential	43010500800 5GY00013	Commercial: 8 December 2050 Residential: 8 December 2080	17,897.15
(2013)048121	4 June 2013	Commercial, Residential	43010500800 5GY00009	Commercial: 8 December 2050 Residential: 8 December 2080	19,678.19
(2013)048125	4 June 2013	Commercial, Residential	43010500800 5GY00012	Commercial: 8 December 2050 Residential: 8 December 2080	2,064.51
(2013)048126	4 June 2013	Commercial, Residential	43010500800 5GY00010	Commercial: 8 December 2050 Residential: 8 December 2080	28,787.43
(2013)048122	4 June 2013	Commercial, Residential	43010500800 5GY00008	Commercial: 8 December 2050 Residential: 8 December 2080	37,995.85
Total					**120,915.46**

(2) According to Grant Contract of State-owned Land Use Rights No. 2010000253 and its Supplements entered into between 長沙市國土資源局 (Changsha City Land Resources Bureau) (''the Grantor'') and 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) (''The Grantee''), the property with a total site area of 120,915.46 sq.m. have been granted to the Grantee for a term due to expire on 8 December 2050 for commercial use and due to expire on 8 December 2080 for residential use.

Contract No.	Land Use	Land Plot No.	Site Area *(sq.m.)*	Plot Ratio
2010000253	Commercial and Residential	0508050007-1	120,915.46	Not exceeding 3.01
Total			**120,915.46**	

(3) As advised by the Target Group, the outstanding construction cost for completion of the property as at the valuation date was RMB118,691,960. We have taken into account the said amounts in our valuation.

(4) The market value when completed of the property as at the valuation date is estimated to be approximately RMB410,000,000.

(5) According to Business License No. 430000000065511 dated 26 December 2014, 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB400,806,500 for a valid operation period from 5 November 2009 to 4 November 2059.

(6) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(7) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificates	Yes
Grant Contract of State-owned Land Use Rights	Yes
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
10.	The development site for portion of the proposed development known as Qianlong International, Xinglian Village, Xingang Town, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 新港鎮興聯村 錢隆國際部份 待建土地	Upon completion, Qianlong International is a residential/commercial development erected on land with a total site area of approximately 49,487.65 sq.m.. The property comprises the development site for portion of the proposed development known as Qianlong International. As advised by the Target Group, the proposed development is a residential/commercial property. The details of the planned gross floor area of the proposed development are as follows:	As at the valuation date, the property was vacant land.	RMB461,000,000 (100% interest attributable to the Target Group RMB461,000,000)

Use	Approximate gross floor area *(sq.m.)*
Residential properties	135,711.29
Office properties	25,811.29
Retail properties	8,477.49
Ancillary and others	6,279.97
Basement Car park (including civil defense)	29,349.91
Total	**205,629.95**

As advised by the Target Group, the respective gross floor areas of the car park portion and the civil defense portion in the basement have not yet been determined because the proposed development us during the stage of design.

As advised by the Target Group, the civil defense portion in the basement is designated as car parking spaces in times of peace. However, such civil defense car parking spaces are subject to the use by the public at no cost during war times.

The property is held with land use rights for a term due to expire on 8 August 2053 for commercial use and due to expire on 8 August 2083 for residential use.

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2014)070835 issued by 長沙市國土資源局 (Changsha City Land Resources Bureau) on 30 June 2014, the land use rights of the property with a total site area of 49,487.65 sq.m. have been vested in 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) for a term due to expire on 8 August 2053 for commercial use and due to expire on 8 August 2083 for residential use.

(2) According to Grant Contract of State-owned Land Use Rights No. 2014000005 entered into between 長沙市國土資源局 (Changsha City Land Resources Bureau) ("the Grantor") and 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) ("the Grantee") on 14 January 2014, the property with a total site area of 49,487.65 sq.m. have been granted to the Grantee for a term due to expire on 8 August 2053 for commercial use and due to expire on 8 August 2083 for residential use.

Contract No.	**Land Use**	**Land Plot No.**	**Site Area** *(sq.m.)*	**Plot Ratio**
201400005	Commercial and Residential	0508050007	49,487.65	Not exceeding 4
Total			**49,487.65**	

(3) According to Planning Permit for Construction Use of Land No. (2014)0066 issued by Changsha Urban Planning Bureau on 25 July 2014, the construction site of a parcel of land for the development of Qianlong International Project with a site area of approximately 49,487.65 sq.m. is in compliance with the urban planning requirements and has been approved.

(4) As advised by the Target Group, the outstanding construction cost for completion of the property as at the valuation date was RMB616,889,850. We have taken into account the said amounts in our valuation.

(5) The market value when completed of the property as at the valuation date is estimated to be approximately RMB1,469,000,000.

(6) According to Business License No. 430000000103631 dated 26 March 2014, 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) was established as a limited liability company with a registered capital of RMB30,000,000 for a valid operation period from 23 August 2013 to 22 August 2063.

(7) We have been provided with a legal opinion dated 6 March 2017 on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;

(ii) 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 湖南晟冉房地產開發有限公司 (Hunan Shengran Real Estate Development Company Limited) has to discharge the mortgage or obtain the mortgagee's consent in advance; and

(iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and settled.

(8) In accordance with the information provided by the Target Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

Group V — Properties leased and occupied by the Target Group in the PRC

	Property	Description and tenancy particulars	Market value in existing state as at 31 July 2017
11.	Units 36001 and 36002, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 中山路589號 萬達廣場36001 及36002單元	The property comprises two office units with a total gross floor area of 699.50 sq.m. of Wanda Plaza. The property is occupied by the Target Group as office. The property is leased from an independent third party to 湖南瑋隆房地產開發有限公司 (Hunan Weilong Real Estate Development Company Limited) for a lease term commencing from 1 October 2016 to 1 October 2023 at a prevailing monthly rental of RMB41,970. According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.	No commercial Value
12.	Unit 36003, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 中山路589號 萬達廣場36003單元	The property comprises an office unit with a total gross floor area of 444.74 sq.m. of Wanda Plaza. The property is occupied by the Target Group as office. The property is leased from an independent third party to 湖南福晟房地產開發有限公司 (Hunan Fullsun Real Estate Development Company Limited) for a lease term commencing from 1 October 2016 to 1 October 2023 at a prevailing monthly rental of RMB26,684. According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.	No commercial Value

	Property	Description and tenancy particulars	Market value in existing state as at 31 July 2017
13.	Units 36004 and 36005, Wanda Plaza, No. 589 Zhongshan Road, Kaifu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市開福區 中山路589號 萬達廣場36004 及36005單元	The property comprises two office units with a total gross floor area of 661.63 sq.m. of Wanda Plaza. The property is occupied by the Target Group as office. The property is leased from an independent third party to 湖南中旅房地產發展有限公司 (Hunan Zhonglv Real Estate Development Company Limited) for a lease term commencing from 1 October 2014 to 1 October 2023 at a prevailing monthly rental of RMB39,698. According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.	No commercial Value

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Remaining Group as at 31 July 2017.

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

27 October 2017

The Directors
U-RIGHT International Holdings Limited
Unit 2408, 24/F.
World-wide House
19 Des Voeux Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value the property interests of the Remaining Group, U-RIGHT International Holdings Limited and its subsidiaries upon completion of the Disposals, in the People's Republic of China (the "PRC") and in Hong Kong (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 31 July 2017.

As advised by the Company, the properties are all the properties held by the Remaining Group.

DEFINITION OF MARKET VALUE

Our valuations of each of the properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company regarding the title to each of the properties and the interests of the Remaining Group in the properties. In valuing the properties, we have assumed that the Remaining Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Remaining Group are set out in the notes of the respective valuation certificate.

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

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and as advised by the Remaining Group, the potential tax liabilities which may arise from the sale of the properties include:

(a) value added tax at a rate of 5% of consideration for the property in the PRC;

(b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and

(c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%.

As the subject transaction is equity in nature and property transaction will not be involved, the likelihood of any potential tax liability of these properties being crystallized is remote.

METHOD OF VALUATION

In valuing the property in Group I, which is held by the Remaining Group for occupation in the PRC, we have used direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market or by using investment approach on the basis of capitalisation of the potential income.

In valuing the property in Group II, which is held by the Remaining Group for investment in the PRC, we have valued either on the basis of capitalization of net income derived from the existing tenancies with allowance for the reversionary income potential of the property or by reference to comparable market transactions.

In valuing the property in Group III, which is leased and occupied by the Remaining Group in Hong Kong, we consider that the property has no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

SOURCES OF INFORMATION

We have been provided by the Remaining Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Remaining Group and its legal adviser, Grandall Law Firm (Fuzhou) (國浩律師(福州)事務所) regarding the title to each of the properties and the interests of the Remaining Group in the properties. We have accepted advice given by the Remaining Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Remaining hereafter Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Remaining Group which is material to the valuations. We were also advised by the Remaining Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Remaining Group regarding the Remaining Group's interests in the PRC properties.

SITE INSPECTION

Our Xiamen office valuer Mr. Andy Chen has inspected the exterior and, whenever possible, the interior of the properties in April 2017. Mr. Andy Chen has about 3 years' experience in property valuation in the PRC. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Regional Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor (General Practice Division) who has over 29 years' experience in various fields of the property industry in the PRC. He has been providing advice relating to property valuation, development consultancy and land administration matters in the PRC and has participated in assignments associated with property market research.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 July 2017 *(RMB)*	Interest attributable to the Remaining Group *(%)*	Market value in existing state attributable to the Remaining Group as at 31 July 2017 *(RMB)*
Group I — Completed property held by the Remaining Group for occupation in the PRC				
1.	Shop Unit 5, Level 1, Qianlong Gongguan, No. 77 Yuantong Road East, Shangjie Town, Minhou County, Fuzhou City, Fujian Province, the PRC	1,690,000	100	1,690,000
	Sub-total of Group I:	**1,690,000**		**1,690,000**
Group II — Completed property held by the Remaining Group for investment in the PRC				
2.	Shop Units 1 to 4, Level 1, Qianlong Gongguan, No. 77 Yuantong Road East, Shangjie Town, Minhou County, Fuzhou City, Fujian Province, the PRC	6,890,000	100	6,890,000
	Sub-total of Group II:	**6,890,000**		**6,890,000**
Group III — Property leased and occupied by the Remaining Group in Hong Kong				
3.	Suite 2408 on 24th Floor of World-Wide House, 19 Des Voeux Road Central, Hong Kong	No Commercial Value	100	No Commercial Value
	Sub-total of Group III:	**No Commercial Value**		**No Commercial Value**
	Grand total of Groups I to III:	**8,580,000**		**8,580,000**

VALUATION CERTIFICATE

Group I — Completed property held by the Remaining Group for occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
1.	Shop Unit 5, Level 1, Qianlong Gongguan, No. 77 Yuantong Road East, Shangjie Town, Minhou County, Fuzhou City, Fujian Province, the PRC 中國福建省福州市 閩侯縣上街鎮 源通東路77號 錢隆公館 1層05號商鋪	The property comprises a shop unit on Level 1 of Qianlong Gongguan. Completed in 2013, the property has a total gross floor area of 48.29 sq.m.. The property is held with land use rights for a term due to expire on 3 March 2050 for commercial use.	As at the Valuation Date, the property was occupied by the Remaining Group.	RMB1,690,000 (100% interest attributable to the Remaining Group RMB1,690,000)

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2014) 241960 issued by 閩侯縣人民政府 (Peoples' Government of Minhou County) dated 30 September 2014, the land use rights of the property with a total respective site area of 7.36 sq.m. have been vested in 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) with a land use term due to expire on 3 March 2050 for commercial use.

(2) According to Building Ownership Certificate No. H1404881 issued by 閩侯縣房地產管理所 (Minhou County Real Estate Administration Bureau) dated 22 September 2014, the land use rights of the property a total gross floor area of approximately 48.29 sq.m. have been vested in 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) and is held with land use rights for commercial use.

(3) According to Business License No. 350100400036888 dated 21 March 2014, 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) was established as a limited company with a registered capital of RMB50,000,000 and a valid operating period from 21 March 2014 to 20 March 2044.

(4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate of the property are valid, legal and enforceable under the PRC laws;

(ii) 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) is the sole legal owner of the property; and

(iii) 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) has to discharge the mortgage or obtain the mortgagee's consent in advance.

(5) In accordance with the information provided by the Remaining Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Group II — Completed property held by the Remaining Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017
2.	Shop Units 1 to 4, Level 1, Qianlong Gongguan, No. 77 Yuantong Road East, Shangjie Town, Minhou County, Fuzhou City, Fujian Province, the PRC 中國福建省福州市 閩侯縣上街鎮 源通東路77號 錢隆公館 1層01至04號商鋪	The property comprises shop units 1 to 4 on Level 1 of Qianlong Gongguan. Completed in 2013, the property has a total gross floor area of 193.16 sq.m.. The property is held with land use rights for a term due to expire on 3 March 2050 for commercial use.	As at the Valuation Date, the property was fully let and subject to two tenancies at a total prevailing monthly rent of approximately RMB19,316. The latest expiry date of the tenancies was 30 November 2019.	RMB6,890,000 (100% interest attributable to the Remaining Group RMB6,890,000)

Notes:

(1) According to four State-owned Land Use Rights Certificates Nos. (2014)241961 to (2014)241963 and (2014)241959 all issued by 閩侯縣人民政府 (Peoples' Government of Minhou County) dated 30 September 2014, the land use rights of the property with a total respective site area of 29.44 sq.m. have been vested in 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) with a land use term due to expire on 3 March 2050 for commercial use.

(2) According to four Building Ownership Certificates Nos. H1404882 to H1404885 all issued by 閩侯縣房地產管理所 (Minhou County Real Estate Administration Bureau) dated 22 September 2014, the land use rights of the property with a total gross floor area of approximately 193.16 sq.m. have been vested in 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) and is held with land use rights for commercial use.

(3) According to Business License No. 350100400036888 dated 21 March 2014, 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) was established as a limited company with a registered capital of RMB50,000,000 and a valid operating period from 21 March 2014 to 20 March 2044.

(4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisers, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates and Building Ownership Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) is the sole legal owner of the property; and

(iii) 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that where any of the property has been mortgaged, 成潤(福建)商業管理有限公司 (Chengrun (Fujian) Business Administration Co., Ltd) has to discharge the mortgage or obtain the mortgagee's consent in advance.

(5) In accordance with the information provided by the Remaining Group, the status of title and grant of major approvals and licenses are as follows:

State-owned Land Use Rights Certificates	Yes
Building Ownership Certificates	Yes
Business License	Yes

VALUATION CERTIFICATE

Group III — Property leased and occupied by the Remaining Group in Hong Kong

	Property	Description and tenancy particulars	Market value in existing state as at 31 July 2017
3.	Suite 2408 on 24th Floor of World-Wide House, 19 Des Voeux Road Central, Hong Kong 香港中環德輔道中19號環球大廈24樓2408室	The property comprises an office unit with a total saleable area of 114.50 sq.m. of World-wide House. The property is occupied by the Remaining Group as office. The property is leased from an independent third party to 友福國際有限公司 (Yield Focus International Limited) for a lease term commencing from 15 February 2017 to 14 February 2020 at a prevailing monthly rental of HKD150,500.	No commercial Value

Set out below is a summary of certain provisions of the memorandum of association (the ''Memorandum of Association'') and bye-laws (the ''Bye-laws'') of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed and its powers. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the ''board'') upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 19 August, 2013. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose

of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates (as defined in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy

managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election

at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to

general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and

laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange (as defined in the Bye-laws), it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

(j) Transfer of shares

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is

kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of

shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due

to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act,

regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor

under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the

expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix X to this circular. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Restructured Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to the Vendor and the Target Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Vendor, jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to the Group) contained in this circular in relation to the Target Group and themselves and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

B. FURTHER INFORMATION ABOUT THE RESTRUCTURED GROUP

1. Incorporation of the Company

The Company was incorporated in Bermuda under the Companies Act under the name of U-RIGHT International Holdings Limited as an exempted company with limited liability on 9 June 2000. As at the date of its incorporation, the Company had an authorised share capital of HK$100,000.00 divided into shares of HK$0.10 each. The Company was registered in Hong Kong under Part XI of the predecessor Companies Ordinance on 17 October 2000.

As at the Latest Practicable Date, the Company's place of business in Hong Kong is at Unit 2408, 24/F., World-wide House, 19 Des Voeux Road Central, Hong Kong. Mr. Tang Kwok Hung and Ms. Chan Lo Sho have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company at Flat E, 10/F., Kiu Wang Mansion, 3 Hok Yu Lane, Ho Man Tin, Kowloon, Hong Kong and Flat G, 9/F., Block 5, Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, Kowloon, Hong Kong, respectively.

As the Company was incorporated in Bermuda, it operates in accordance with the relevant laws of Bermuda and its constitutional documents comprising the Memorandum and the Bye-laws. A summary of certain relevant provisions of its constitutional documents and certain relevant aspects of the Bermuda company law are set out in Appendix VIII to this circular.

2. Changes in share capital of members of the Remaining Group

(a) the Company

There has been no alteration in the share capital of the Company within the two years immediately preceding the date of this circular.

(b) other members of the Remaining Group

There has been no alteration in the share capital or registered capital of any member of the Remaining Group within the two years immediately preceding the date of this circular.

3. Repurchase of shares of the Company

This section includes information relating to the repurchase of securities required by the Listing Rules which is set out as follows:

(a) Shareholders' approval

The Company's sole listing is on the Stock Exchange. All proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of repurchase mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws and the applicable laws of Bermuda. Under the laws of Bermuda, repurchased shares will be cancelled and the Company's issued share capital will be reduced by the nominal value of the repurchased shares accordingly. However, the aggregate amount of the Company's authorised capital will not be reduced.

(c) Exercise of the repurchase mandate

The Shares proposed to be repurchased by the Company must be fully paid up. Under the Listing Rules, the total number of shares which a company is authorised to repurchase on the Stock Exchange shall represent up to a maximum of 10% of the existing issued share capital as at the date of the resolution granting such repurchase mandate. The Company is prohibited from repurchasing the Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing

market price for the five preceding trading days on which the Shares were traded on the Stock Exchange and other restrictions set out in Rule 10.06(2) of the Listing Rules.

4. Changes in share capital of members of the Target Group

The following are the changes in the share capital of the members of the Target Group that took place during the two years immediately preceding the date of this circular:

(a) on 24 August 2015, Beijing Zangshan (as seller) and Hunan Fullsun Group (as purchaser) entered into an equity transfer agreement, pursuant to which, Beijing Zangshan transferred its 49% equity interest in Hunan Weilong to Hunan Fullsun Group at a consideration of RMB196,000,000. Such equity transfer was properly and legally completed and settled on 25 August 2015;

(b) on 19 April 2016, Sichuan Trust (as seller) and Hunan Fullsun Group (as purchaser) entered into an equity transfer agreement, pursuant to which, Sichuan Trust transferred its 49.15% equity interest in Hunan Longxiang to Hunan Fullsun Group at a consideration of RMB29,000,000. Such equity transfer was properly and legally completed and settled on 21 April 2016;

(c) on 3 September 2016, Boshi Capital (as seller) and Hunan Weilong (as purchaser) entered into an equity transfer agreement, pursuant to which, Boshi Capital transferred its 49% equity interest in Hunan Zhonglv to Hunan Weilong at a consideration of RMB77,820,000. Such equity transfer was properly and legally completed and settled on 20 September 2016;

(d) on 15 December 2016, Zhuhai Oriental (as seller) and Hunan Fullsun Group (as purchaser) entered into an equity transfer agreement, pursuant to which, Zhuhai Oriental transferred its 49% equity interest in Hunan Fullsun to Hunan Fullsun Group at a consideration of RMB196,395,185. Such equity transfer was properly and legally completed and settled on 19 December 2016; and

(e) on 21 December 2016, Hunan Fullsun Group (as seller) and Daye Trust (as purchaser) entered into an equity transfer agreement, pursuant to which, Hunan Fullsun Group transferred its 49% equity interest in Hunan Fullsun to Daye Trust at consideration of RMB196,395,185. Such equity transfer was properly and legally completed and settled on 21 December 2016.

Save as disclosed above, there has been no alteration in the share capital of the Target Group during the two years immediately preceding the date of this circular.

5. Corporate reorganisation

The Target Group underwent reorganisation to rationalise the Target Group's structure in preparation for the new listing application. For more details regarding the reorganisation of the Target Group, please refer to the section headed "History and background of the Target Group — 3. Reorganisation" in this circular.

6. Intellectual property rights of the Restructured Group

As at the Latest Practicable Date, the Restructured Group had the following intellectual property rights which are material in relation to the business of the Restructured Group.

(a) Intellectual property rights of the Remaining Group

Trademarks of the Remaining Group

As at the Latest Practicable Date, the Remaining Group did not have any registered trademarks.

Domain name owned by the Remaining Group

As at the Latest Practicable Date, the Company had registered the following domain name which is material in relation to the business of the Group:

Domain Name	Registrant	Expiry Date
www.uright.com.hk	Yield Focus International Ltd.	18 November 2017

(b) Intellectual property rights of the Target Group

Trademarks of the Target Group

As at the Latest Practicable Date, the Target Group had registered the following trademarks which are material in relation to the business of the Target Group:

Trademark	Registered owner	Place of Registration	Class	Registration number	Duration of validity
福晟	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303388401	27 April 2015–26 April 2025
錢隆	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303388410	27 April 2015–26 April 2025
钱隆					
	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303388429	27 April 2015–26 April 2025
福晟集團	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303433680	5 June 2015–4 June 2025
福晟集团					
FULLSUN GROUP	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303433699	5 June 2015–4 June 2025
福晟國際	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303433707	5 June 2015–4 June 2025
福晟国际					
FULLSUN INTERNATIONAL	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303433716	5 June 2015–4 June 2025
	Fuzhou Fullsun Group	Hong Kong	19, 36, 37	303433725	5 June 2015–4 June 2025

Trademarks licensed by Fujian Fusheng Group

Pursuant to the Trademark License Agreement, members of the Target Group are licensed to use the following trademarks which are material in relation to the business of the Target Group:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry Date
福晟	Fujian Fusheng Group	PRC	37	7090145	6 August 2021
钱隆	Fujian Fusheng Group	PRC	36	7090128	13 September 2020
钱隆	Fujian Fusheng Group	PRC	37	7090129	13 September 2020

C. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

1. The Company

As at the Latest Practicable Date:

(a) the Company did not have any interests in any securities, shares, options, warrants, derivatives or convertible securities of the Concert Group;

(b) save as disclosed in the paragraph headed "E. Disclosure of interests" in this appendix, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Concert Group;

(c) Best China Limited, a company wholly owned by Mrs. Chu Yuet Wah ("**Mrs. Chu**"), is the beneficial owner of 1,028,160 Shares. Mrs. Chu is the ultimate controlling shareholder of Kingston, one of the Joint Financial Advisers to the Company in relation to the Acquisition and Disposals. Save for that, none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company nor advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Concert Group;

(d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of

"associate" in the Takeovers Code, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Concert Group;

(e) there were no shareholdings in the Company which were managed on a discretionary basis by fund managers connected with the Company; and

(f) none of the Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company or the Concert Group.

2. Sponsor

The Sponsor has made the new listing application on behalf of the Company to the Listing Committee for the listing of and permission to deal in the Consideration Shares to be issued and allotted pursuant to the SP Agreement, the Placing Shares to be issued and allotted pursuant to the Share Placing and the Conversion Shares to be issued and allotted pursuant to the CB Placing. For the purpose of the new listing application, the Sponsor is considered as an independent sponsor pursuant to Rule 3A.07 of the Listing Rules. The Sponsor will receive HK$8.3 million as their sponsor's fee.

As at the Latest Practicable Date,

(a) neither the Sponsor, nor any persons controlling, controlled by or under the same control as the Sponsor owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company;

(b) save for the Placing Agreement, neither the Sponsor, nor any persons controlling, controlled by or under the same control as the Sponsor had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities in the Company which may be an inducement to deal or refrain from dealing) with any persons; and

(c) save for the Placing Agreement, there was no agreement, arrangement or understanding between the Sponsor or persons controlling, controlled by or under the same control as the Sponsor on the one part and any of the Directors or Shareholders on the other part, which was conditional on or dependent upon the outcome of, or otherwise in connection with the Acquisition, the Share Placing, the CB Placing, the Whitewash Waiver and the Disposals.

3. Other Advisers to the Company

Best China Limited, a company wholly owned by Mrs. Chu Yuet Wah ("**Mrs. Chu**"), is the beneficial owner of 1,028,160 Shares. Mrs. Chu is the ultimate controlling shareholder of Kingston, one of the Joint Financial Advisers to the Company in relation to the Acquisition and Disposals. Save for that, as at the Latest Practicable Date, none of

Joint Financial Advisers and the Independent Financial Adviser, nor any persons controlling, controlled by or under the same control as the Joint Financial Advisers or the Independent Financial Adviser, any bank, financial and professional advisers to the Company in relation to the Acquisition, the Share Placing, the Whitewash Waiver and the Disposals and any persons controlling, controlled by or under the same control as such banks, financial and professional advisers, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company.

4. Dealings in securities

None of the Directors nor the Company had dealt in any securities, shares, options, warrants, derivatives or convertible securities of the Concert Group and of the Company during the period between 15 August 2016, being the date falling six months prior to 15 February 2017, which is the date of the sixth supplemental agreement to the SP Agreement (the "**Sixth Supplemental Agreement**"), and up to and including the Latest Practicable Date.

None of the persons referred to in paragraphs 1(c), (d), (e) and (f) in this sub-section C had dealt for value in the Shares or any other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 15 August 2016, being the date falling six months prior to 15 February 2017, which is the date of the Sixth Supplemental Agreement, and up to and including the Latest Practicable Date.

None of the Concert Group, the directors of the Concert Group nor the Directors had dealt in any Shares or other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 15 August 2016, being the date falling six months prior to 15 February 2017, which is the date of the Sixth Supplemental Agreement, and up to and including the Latest Practicable Date.

D. FURTHER INFORMATION RELATING TO THE CONCERT GROUP AND THE WHITEWASH WAIVER

1. Principal members of the Concert Group

Set out below are details and the principal members of the Concert Group and their respective directors:

	Address	Directors
Pan Weiming	Room 701, No.33 River East Hongli Village Conghua District Guangzhou City Guangdong Province PRC	N/A
Tongda Enterprises Limited	Vistra Corporate Services Centre Wickhams Cay II Road Town Tortola VG1110 British Virgin Islands	Pan Weiming Pan Haoran
Xiangxun Limited	P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	Pan Haoran
Chen Weihong	House One No. 10 Lvjing Street Yiquan Mountain Villa Jiekou Street Conghua District Guangzhou City Guangdong Province PRC	N/A
Pan Haoran	Room 3308, 41/F. II Zhonglvcheng North Building No. 128 Wusi Road Gulou District Fuzhou City Fujian Province PRC	N/A

	Address	Directors
Pan Jungang	Room 101, No. 19 Jiale South Street Jiale Yuan Guangcong Road Guangzhou City Guangdong Province PRC	N/A
Li Jinrong	Room 905 No. 2 Qianlong Tianxia Neighbourhood South Wuyi Road Taijiang District Fuzhou City Fujian Province PRC	N/A
Wu Jihong	Room 20D, Tower F Yuetao Xuan No. 8 Shanghu Street Yiyuan Road Haizhu District Guangzhou City Guangdong Province PRC	N/A

2. Negative statement

As at the Latest Practicable Date:

(a) save as disclosed in the paragraph headed "E. Disclosure of interests" in this appendix, none of the members of the Concert Group nor any person acting in concert with any of them (including respective directors) owned or controlled any shares or convertible securities, warrants, options or derivatives of the Company;

(b) none of the members of the Concert Group nor any person acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

(c) there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Concert Group or any person acting in concert with any of them, and any of the directors, recent

directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Acquisition and the Whitewash Waiver;

(d) none of the members of the Concert Group borrowed or lent, nor had borrowed or lent, any shares, warrants, options, convertible securities or derivatives of the Company and members of the Concert Group during the period between 15 August 2016, being the date falling six months prior to 15 February 2017, which is the date of the Sixth Supplemental Agreement, and up to and including the Latest Practicable Date;

(e) none of the members of the Concert Group nor any person acting in concert with any of them (including their respective directors) had dealt for value in any shares or convertible securities, warrants, options or derivatives of the Company during the period between 15 August 2016, being the date falling six months prior to 15 February 2017, which is the date of the Sixth Supplemental Agreement, and up to and including the Latest Practicable Date;

(f) no person/Director has made an irrevocable commitment to vote for or against the Acquisition, the Share Placing, the CB Placing, the Whitewash Waiver and the Disposals;

(g) the Vendor and Mr. Pan, who is a Shareholder, and their associates shall abstain from voting for or against the Acquisition, the Share Placing, the Whitewash Waiver and the Disposals; and

(h) there was no agreement, arrangement or understanding entered into by any member of the Concert Group or any person acting in concert with any of them for the transfer, charge or pledge of the Shares, the Consideration Shares, the Placing Shares or the Conversion Shares to any other persons.

E. DISCLOSURE OF INTERESTS

1. Interests of Directors

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which is (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange.

2. Interests of substantial shareholders

As at the Latest Practicable Date, so far as it is known to the Directors, the following persons (not being Directors and chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, 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 Restructured Group:

Interest or short position in the Shares and the underlying shares

Name of substantial shareholder	Long/short position	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital
Advance Lead International Limited	Long	Beneficial Owner	970,000,000 *(Note 1)*	73.39
Easy Advance Investments Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39
Advance Shine Holdings Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39
Sino Classic Global Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39
Great Novel Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39
Chau Pak Chuen	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39
Au Tsui Yee, Maggie	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39

Name of substantial shareholder	Long/short position	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital
Chau Kai Man	Long	Interest of corporation controlled by the substantial shareholder	970,000,000	73.39
The Vendor	Long	Beneficial owner	6,415,060,000 *(Note 2)*	485.37
Pan Weiming	Long	Interest of controlled corporation/ Beneficial owner	6,416,140,000 *(Note 3)*	485.45
Chen Weihong	Long	Interest of spouse	6,416,140,000 *(Note 4)*	485.45

Notes:

(1) These Shares are beneficially owned by Advance Lead International Limited. Advance Lead International Limited is owned by (i) Sino Classic Global Limited as to 30% in which Ms. Au Tsui Yee, Maggie is the sole beneficial owner; (ii) Great Novel Limited as to 30% in which Mr. Chau Kai Man is the sole beneficial owner; and (iii) Easy Advance Investments Limited as to 40%, which is a wholly-owned subsidiary of Advance Shine Holdings Limited. Mr. Chau Pak Chuen is the sole beneficial owner of Advance Shine Holdings Limited.

(2) These Shares represent the Consideration Shares to be allotted and issued to the Vendor upon SP Completion.

(3) 1,080,000 Shares are beneficially owned by Mr. Pan. 6,415,060,000 Shares represent the Consideration Shares to be allotted and issued to the Vendor upon SP Completion. The Vendor is wholly and beneficially owned by Mr. Pan, hence Mr. Pan is deemed by virtue of the SFO to be interested in these Shares. Mr. Pan is a director of the Vendor and is a proposed Director.

(4) Ms. Chen is the spouse of Mr. Pan and is deemed to be interested in these Shares Mr. Pan is interested in.

3. Particulars of service contracts

Each of the existing Directors including independent non-executive Directors has entered into a letter of appointment with the Company with no fixed term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

The basic annual emolument of the Directors are set out below:

Name	Annual emolument
Ng Cheuk Fan, Keith	HK$438,000
Tang Kwok Hung	HK$738,000
Xie Tom	HK$120,000
Mak Ka Wing, Patrick	HK$120,000
Chan Chi Yuen	HK$120,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months prior to 15 February 2017, which is the date of the Sixth Supplemental Agreement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, none of the proposed Directors had entered into any service contract or letter of appointment with the Company, or any of its subsidiaries or associated companies. The Company intends to enter into a service contract with each of the proposed executive Directors and the remaining executive Director and a letter of appointment with each of the proposed independent non-executive Directors and the remaining independent non-executive Director, each for an initial term of three years, commencing from date of SP Completion and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation.

4. Directors' remunerations

The remunerations (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) paid to the Directors in aggregate for the financial years ended 31 March 2015, 2016 and 2017 were approximately HK$1,519,000, HK$1,536,000 and HK$1,536,000, respectively.

Save as disclosed above, no emoluments have been paid for the financial years ended 31 March 2015, 2016 and 2017, by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Under the current arrangements and on the assumption that the proposed Directors will be appointed upon SP Completion, the aggregate remunerations (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) estimated to be payable to the Directors for the year ending 31 March 2018 are approximately HK$2,340,000.

There was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Restructured Group to the Directors as an inducement to join or upon joining the Restructured Group or as compensation for loss of office.

5. Employee retirement benefits

The Remaining Group participates in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") for those employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Remaining Group, in funds under the control of trustees. The Remaining Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap of monthly relevant income of HK$30,000, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Restructured Group participates in defined contribution retirement schemes organised by the relevant local government authorities whereby the Restructured Group is required to make contributions to the schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Restructured Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

6. Competing interests

Save as disclosed in the section headed "Relationship with the controlling shareholders" in this circular, none of the Directors and the proposed Directors and their respective close associates was interested in any business apart from the business of the Restructured Group, which competes or is likely to compete, either directly or indirectly, with the business of the Restructured Group.

7. Arrangements affecting the Directors

None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Acquisition, the Share Placing, the CB Placing, the Whitewash Waiver and the Disposals and there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with the Acquisition, the Share Placing, the CB Placing, the Whitewash Waiver and the Disposals.

F. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Sixth Supplemental Agreement and ending on the Latest Practicable Date; (ii) the last trading day prior to the entering into of the Sixth Supplemental Agreement; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
31 August 2016	0.60
30 September 2016	0.59
31 October 2016	0.64
30 November 2016	0.59
30 December 2016	0.60
27 January 2017	0.63
15 February 2017 (the last trading day prior to the entering into of the Sixth Supplemental Agreement)	0.60
28 February 2017	0.56
31 March 2017	0.56
28 April 2017	0.63
31 May 2017	0.59
30 June 2017	0.61
31 July 2017	0.61
31 August 2017	0.60
29 September 2017	0.75
Latest Practicable Date	1.16

The highest and lowest closing prices of the Shares during the period commencing six months preceding the date of the Sixth Supplemental Agreement and ending on the Latest Practicable Date were HK$1.36 per Share on 18 October 2017 and HK$0.53 per Share on 9 February 2017 and 13 February 2017.

G. DISCLAIMERS

Save as disclosed in this circular:

(a) none of the Directors and the proposed Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which

will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code;

(b) none of the Directors and the proposed Directors nor any of the persons whose names are listed in the paragraph headed ''Qualifications and consents of experts'' in this appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this circular been acquired or disposed of by or leased to any member of the Restructured Group, or are proposed to be acquired or disposed of by or leased to any member of the Restructured Group;

(c) none of the Directors and the proposed Directors nor any of the persons whose names are listed in the paragraph headed ''Qualifications and consents of experts'' in this appendix is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Restructured Group;

(d) none of the Directors and the proposed Directors is materially interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Restructured Group;

(e) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this circular to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the introduction or related transaction as mentioned in this circular; and

(f) To the best knowledge of the Directors and the proposed Directors, the Target Group's top five customers during the Track Record Period are Independent Third Parties. To the best knowledge of the Directors and the proposed Directors, save for Fujian Liujian Group, none of the Directors, the proposed Directors, their respective close associates, any of the Shareholders holding more than 5% of the Shares or any of the Target Company's shareholders holding more than 5% of its shares have any interest in any of the Target Group's top five suppliers. Please refer to the section headed ''Business of the Target Group — Suppliers'' in this circular for detailed information.

H. SHARE OPTION SCHEME

For the purpose of this section only, unless the context otherwise requires, the following words shall have the following meanings:

"Adoption Date"	the date on which the Share Option Scheme was adopted by the Shareholders passing the relevant resolution at the SGM;
"Associate"	has the meaning ascribed to it under the Listing Rules;
"Auditors"	the auditors of the Company for the time being;
"Board"	the board of Directors of the Company for the time being or a duly authorised committee thereof;
"Business Day"	any day on which the Stock Exchange is open for the business of dealing in securities;
"Date of Grant"	in respect of an Option, the Business Day on which the Board resolves to make an Offer, or the grant of an Option to a Participant, whether or not the Offer is subject to Shareholders' approval on the terms of the Share Option Scheme;
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
"Group"	the Company and its Subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Individual Limit"	the meaning ascribed thereto in paragraph (a)(v)(cc);
"Offer"	the offer of the grant of an Option;
"Option"	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;

"Option Period"	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
"Participant(s)"	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
"Scheme Mandate Limit"	has the meaning ascribed to it in paragraph (v)(aa);
"Shareholder(s)"	holder(s) of the Shares;
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company, or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company or such nominal amount as shall result from any sub-division reduction, consolidation, reclassification or reconstruction;
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (iv) below; and
"Subsidiary"	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies (Winging Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere and "subsidiaries" shall be construed accordingly.

(a) Summary of terms

The Share Option Scheme contains the following terms:

(i) Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

(ii) Who may join

The Board may, at its discretion, invites Participants to take up Options at a price calculated in accordance with paragraph (iv) below. An Offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of HK$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of the Board, include, among other things, (aa) the minimum period for which an Option must be held before it can be exercised; and/or (bb) a performance target that must be reached before the Option can be exercised in whole or in part; and (cc) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

Any Offer may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a whole board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 28 days from the date on which the letter containing the Offer is delivered to that Participant in the manner indicated above, it shall be deemed to have been irrevocably declined.

No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations or law.

The Directors may or may not set performance targets that must be achieved before the options can be exercised, but no such performance targets are presently prescribed under the Share Option Scheme.

The rules of the Share Option Scheme enable the Directors to determine the terms and conditions of any option based in each case on relevant factors as they consider appropriate. The Directors believe that the authority given to them under

the Share Option Scheme to set any minimum holding period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the Share Option Scheme will serve to protect the value of the Company and any of its subsidiaries as well as to achieve the purpose of the Share Option Scheme.

(iii) Grant of Options to connected persons or any of their associates

Any grant of Options to any Director, chief executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its Subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1 per cent. of the Shares in issue on the date of such grant; and

(bb) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). The Company shall send a circular to the Shareholders in accordance with the Listing Rules and all connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the Shareholders.

(iv) Subscription Price

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(aa) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;

(bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and

(cc) the nominal value of the Shares.

(v) Maximum number of Shares

(aa) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Adoption Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

(bb) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:

(1) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and

(2) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

(cc) Subject to paragraph (dd) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "**Individual Limit**").

(dd) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.

(ee) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the Shares in issue from time to time.

(vi) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period. After the expiration of the Option Period, no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

(vii) Rights are personal to grantees

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(viii) (aa) Rights on termination of employment by dismissal

(1) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or, has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse

automatically and not be exercisable (to the extent not already exercised) on or after the date of termination of his employment. To the extent that the Grantee has exercised the Option in whole or in part pursuant to paragraph (xxiii) below, but the Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option.

(2) If the Grantee who is an employee or a Director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (viii)(aa)(1) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;

(bb) Rights on *death*

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (viii)(aa)(1) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of twelve months following the date of his death provided that where any of the events set out in paragraphs (x), (xi), (xii) and (xiii) occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph (viii)(aa)(1) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option.

(ix) Effect of alterations to share capital

In the event of an alteration in the capital structure of the Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or, consolidation of shares, or reduction of

the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

(aa) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(bb) the Subscription Price,

or any combination thereof, provided that:

(1) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and

(2) notwithstanding paragraph (ix)(1) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time.

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial adviser or auditor must confirm to the Directors in writing that the adjustments are in their opinion fair and reasonable.

(x) Rights on a general offer by way of takeover

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

(xi) Rights on a general offer by way of scheme of arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and

any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company.

(xii) Rights on winding up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(xiii) Rights on a compromise or arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to all the Grantees on the same date as we give notice of the meeting to the members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(xiv) Rights of Grantee ceasing to be Participant

In the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(xv) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Memorandum and Bye-laws for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which these Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Shares are allotted other than any dividends or

distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(xvi) Period of the Share Option Scheme

The Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date. The Company may, by ordinary resolution in a general meeting or, the Board, on such date as the Board determines, terminate the Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(xvii) Alterations to the Share Option Scheme

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(xviii) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

(aa) the passing of the resolution by the Shareholders at the SGM to approve and adopt the Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;

(bb) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Adoption Date; and

(cc) the SP Completion taking place.

(xix) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

(aa) the expiry of the Option Period;

(bb) the expiry of the periods referred to in paragraphs (viii)(aa), (viii)(bb), (x), (xi), (xii), (xiii) and (xiv) above respectively;

(cc) the expiry of the period referred to in paragraph (x) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;

(dd) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (xi) above;

(ee) the date of commencement of the winding-up of the Company;

(ff) the date on which the Grantee ceases to be a Participant as referred to in paragraph (viii)(aa)(1) above;

(gg) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and

(hh) subject to paragraph (viii)(aa)(2), the date the Grantee ceases to be a Participant for any other reason.

(xx) Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at anytime terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

(xxi) Restriction on Grant of Option

The Company may not grant any options after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of:

(aa) the date of the board meeting of the Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or, any other interim period (whether or not required under the Listing Rules); and

(bb) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement.

(xxii) Cancellation

The Board may at any time in its absolute discretion cancel any Options previously granted to, but not yet exercised by such Grantee. Where the Company cancels Options and offers Options to the same Grantee, the offer of such new Options may only be made with available Options under the Share Option Scheme (to the extent not yet granted and excluding the cancelled Options) within the Scheme Mandate Limit or refreshed Scheme Mandate Limit approved by the Shareholders as mentioned in paragraph (v) above from time to time.

(xxiii) Exercise of Options

(aa) An Option may, subject to the provisions of paragraph (v), be exercised in whole or in part (but if in part only, in respect of a board lot in which the Shares are traded on the Stock Exchange from time to time or an integral multiple thereof) in the manner set out in paragraphs (vi), (viii), (x), (xi), (xii), (xiii) and (xiv) by the Grantee (or, as the case may be, his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 10 Business Days after receipt of the notice and the remittance of the full amount of the relevant aggregate Subscription Price and, where appropriate, receipt of the Auditor's certificate or the certificate from the independent financial adviser to the Company pursuant to paragraph (v), the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, as the case may be, his legal personal representative(s)) credited as fully paid and issue to the Grantee (or, as the case may be, his legal personal representative(s)) share certificates in respect of the Shares so allotted.

(bb) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

(cc) The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company.

(dd) No Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an Option pursuant to the Share Option Scheme, unless and until Shares are actually issued to the Grantee pursuant to exercise of such Option.

(b) Present Status of the Share Option Scheme

As at the Latest Practicable Date, the Share Option Scheme has not been adopted by the Company and no Option has been granted or agreed to be granted pursuant to the Share Option Scheme.

I. MATERIAL CHANGE OF THE REMAINING GROUP SINCE 31 MARCH 2017

As at the Latest Practicable Date, the Directors confirm that there have been no material changes in the financial or trading position of the Remaining Group and save as the impact of the restructuring of the Company, in particular, the Disposals, there have been no material changes in the outlook of the Remaining Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up. Upon completion of the Acquisition and the Disposals, the Restructured Group will be principally engaged in property development in the PRC.

J. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Restructured Group within two years preceding the date of this circular and are or may be material:

(a) the confirmation dated 9 November 2015 entered into between Fuzhou Fullsun Group and The Industrial Commercial Bank of China in relation to the financing of up to RMB800,000,000;

(b) the entrusted loan agreement dated 15 April 2016 entered into between Fuzhou Fullsun Group, 福州桓晟貿易有限公司 (Fuzhou Huansheng Trading Co., Ltd*) ("**Fuzhou Huansheng**") and 泉州銀行股份有限公司福州支行 (Bank of Quanzhou Fuzhou Branch*) ("**Quanzhou Bank**") pursuant to which, Fuzhou Huansheng agreed to grant a RMB156,000,000 loan to Fuzhou Fullsun Group by way of entrusted bank loan;

(c) the equity transfer agreement dated 19 April 2016 entered into between Hunan Fullsun Group and Sichuan Trust, pursuant to which, Sichuan Trust transferred its 49.15% equity interest in Hunan Longxiang to Hunan Fullsun Group;

(d) the entrusted loan agreement dated 20 April 2016 entered into between Fuzhou Fullsun Group, 福州俊豐金屬製品有限公司 (Fuzhou Junfeng Metal Co., Ltd*) ("**Fuzhou Junfeng**") and Quanzhou Bank, pursuant to which, Fuzhou Junfeng agreed to grant a RMB43,000,000 loan to Fuzhou Fullsun Group by way of entrusted bank loan;

(e) the entrusted loan agreement dated 27 April 2016, entered into between Fuzhou Fullsun Group, Fuzhou Huansheng and Quanzhou Bank, pursuant to which, Fuzhou Huansheng agreed to grant a RMB69,000,000 loan to Fuzhou Fullsun Group by way of entrusted bank loan;

(f) the share pledge agreement dated 27 April 2016 entered into between 蕪湖滙德叁號投資中心(有限合夥) (Wuhu Huide No. 3 Investment Centre LLP*) ("**Wuhu Huide**") and Hunan Fullsun Group, pursuant to which, Hunan Fullsun Group pledged its entire equity interest in Hunan Longxiang to Wuhu Huide;

(g) the pledge agreement dated 27 April 2016 entered into between 華夏銀行股份有限公司北京望京支行 (Huaxia Bank Co., Limited Beijing Wangjing Branch*) ("**Huaxia Bank**") and Hunan Longxiang, pursuant to which, Hunan Longxiang pledged the land use right under the title certificate No. (長國用(2014)第052570) to Huaxia Bank;

(h) a deed of guarantee dated 27 April 2016 entered into between Hunan Fullsun Group and Wuhu Huide, pursuant to which Hunan Fullsun Group guaranteed the entrusted loan in the sum of RMB1 billion made by Huaxia Bank to Fuzhou Fusheng Group under an entrusted loan agreement;

(i) the entrusted loan agreement dated 27 April 2016, entered into between Fuzhou Fullsun Group Wuhu Huide and Huaxia Bank, pursuant to which, Wuhu Huide agreed to grant a RMB1 billion loan to Fuzhou Fullsun Group by way of entrusted bank loan;

(j) the capital supervision agreement dated 27 April 2016 entered into between Wuhu Huide, Fuzhou Fullsun Group, Hunan Longxiang and Hunan Shengran, pursuant to which, the RMB1 billion entrusted loan granted by Wuhu Huide would be used for the designed purposes only;

(k) the share pledge agreement dated 5 May 2016 entered into between Wuhu Huide and Hunan Zhonglv, pursuant to which, Hunan Zhonglv pledged its entire equity interest in Hunan Shengran to Wuhu Huide;

(l) the pledge agreement dated 5 May 2016 entered into between Huaxia Bank and Hunan Shengran, pursuant to which, Hunan Shengran pledged the land use right under the title certificate No. (長國用(2014)第070835) to Huaxia Bank;

(m) the entrusted loan agreement dated 4 July 2016, entered into between Fuzhou Fullsun Group, Fuzhou Junfeng and 廈門銀行股份有限公司福州分行 (Bank of Xiamen Fuzhou Branch*) ("**Xiamen Bank**") pursuant to which, Fuzhou Junfeng agreed to grant a RMB40,000,000 loan to Fuzhou Fullsun Group by way of entrusted bank loan;

(n) the pledge agreement dated 30 June 2016 entered into between Hunan Weilong and Huaxia Bank, pursuant to which, Hunan Weilong pledged real properties with GFA 24,516.84 sq.m. to Huaxia Bank;

(o) the equity transfer agreement dated 3 September 2016 entered into between Boshi Capital and Hunan Weilong, pursuant to which, Boshi Capital transferred its 49% equity interest in Hunan Zhonglv to Hunan Weilong at a consideration of RMB77,820,000;

(p) the transfer and repurchase agreement in relation to the right of return on specific assets (特定資產收益權轉讓及回購合同) dated 15 December 2016 entered into between Hunan Fullsun and Daye Trust in relation to the finance arrangement of RMB500,000,000;

(q) the equity transfer agreement dated 15 December 2016 entered into between Hunan Fullsun Group and Zhuhai Oriental, pursuant to which, Zhuhai Oriental transferred its 49% equity interest in Hunan Fullsun to Hunan Fullsun Group at a consideration of RMB196,395,185;

(r) the equity transfer agreement dated 21 December 2016 entered into between Hunan Fullsun Group and Daye Trust, pursuant to which, Hunan Fullsun Group transferred its 49% equity interest in Hunan Fullsun to Daye Trust at a consideration of RMB196,395,185;

(s) the equity pledge agreement dated 15 December 2016 entered into between Hunan Fullsun Group and Daye Trust, pursuant to which, Hunan Fullsun Group pledged its 51% equity interest in Hunan Fullsun to Daye Trust;

(t) the pledge agreement dated 15 December 2016 entered into between Hunan Fullsun and Daye Trust, pursuant to which, Hunan Fullsun pledged its land use right of a land located in Jinxia Economic Development Zone, Kaifu District, Changsha City, Hunan Province, the PRC under title certificates No. (長國用(2013)第048121, 048122, 048123 and 048125) to Daye Trust;

(u) the property ownership pledge agreement dated 15 December 2016 entered into between Hunan Fullsun and Daye Trust, pursuant to which, Hunan Fullsun pledged its ownership and the corresponding land use right of the property located in Jinxia Economic Development Zone, Kaifu District, Changsha City, Hunan Province, the PRC under property ownership certificate No. (長房權證開福字第716054090 and land use right certificate No. (2013)第048124) to Daye Trust;

(v) the pledge agreement in relation to the building under construction dated 15 December 2016 entered into between Hunan Fullsun and Daye Trust, pursuant to which, Hunan Fullsun pledged its rights of the building under construction over the land located in Jinxia Economic Development Zone, Kaifu District, Changsha City, Hunan Province, the PRC under the land use right certificate No. (2013)第048126) to Daye Trust;

(w) the SP Agreement;

(x) the Supplemental Agreements;

(y) the Loan Agreement;

(z) the Placing Agreement;

(aa) the Alfreda Disposal Agreement;

(bb) the Alfreda Supplemental Agreements;

(cc) the UR Disposal Agreement;

(dd) the UR Supplemental Agreements;

(ee) the Deed of Non-competition; and

(ff) the Deed of Indemnity.

K. LEGAL PROCEEDINGS OF THE RESTRUCTURED GROUP

(a) as to the Remaining Group

As at the Latest Practicable Date, no member of the Remaining Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Remaining Group.

(b) as to the Target Group

As at the Latest Practicable Date, save as disclosed in the section headed ''Business of the Target Group — 16.1 Legal proceedings'' in this circular, no member of the Target Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Vendor to be pending or threatened against any member of the Target Group.

L. DEED OF INDEMNITY

The controlling shareholders (collectively the ''**Indemnifiers**'') have entered into the Deed of Indemnity (being the material contract referred to in paragraph J(ff) in this appendix) in favour of the Company (for itself and as trustee for each of the subsidiaries of the Restructured Group).

Under the Deed of Indemnity, the Indemnifiers have jointly and severally, unconditionally and irrevocably, undertaken to fully indemnify the Company and each member of the Restructured Group (on its own behalf and as trustee for each of the subsidiaries of the Restructured Group) and at all times keep the same fully indemnified against any loss (including loss of profits during any period of disruption to its business operations) or liability suffered by the Company and/or any member of the Restructured Group including, but not limited to any payment made or required to be made by the Company or any member of the

Restructured Group and any costs (including all reasonable legal costs) and expenses (including relocation expenses) incurred by any member of the Restructured Group as a result of or in connection with:

(1) any penalty, claim, damages, fine, charges, reprimand, public censure or loss arising from or in connection with any actions, claims, demands, investigations, proceedings or judgments that may be brought or threatened to be brought against any member of the Restructured Group (whether successful, compromised or settled) (the "**Non-compliance Claims**"); or

(2) disputing, defending or settling any such Non-compliance Claims or enforcing any settlement of or judgment in respect of any such Non-compliance Claims; or

(3) other liabilities falling on any member of the Restructured Group,

arising from any non-compliance of the Target Group, including but not limited to those disclosed in the section headed "Business of the Target Group — 16. Legal proceedings and compliance — 16.2 Compliance" in this circular.

M. QUALIFICATIONS AND CONSENTS OF EXPERTS

Ample Capital Limited, Deloitte Touche Tohmatsu, ZHONGHUI ANDA CPA Limited, Conyers Dill & Pearman, Commerce & Finance Law Offices, DTZ Cushman & Wakefield Limited, Messis Capital Limited and RSM Tax Advisory (Hong Kong) Limited have each given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation certificates, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included. The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
Ample Capital Limited	a corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
ZHONGHUI ANDA CPA Limited	Certified public accountants
Conyers Dill & Pearman	Bermuda attorneys-at-law
Commerce & Finance Law Offices	PRC legal advisers
DTZ Cushman & Wakefield Limited	Independent property valuer

Name	Qualification
Messis Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
RSM Tax Advisory (Hong Kong) Limited	Tax adviser

As at the Latest Practicable Date, none of the abovementioned experts is interested beneficially or otherwise in any ordinary Shares or shares of any member of the Restructured Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of the Restructured Group.

N. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Transactions, are estimated to be approximately HK$60.2 million in aggregate and are payable by the Restructured Group.

O. PROMOTER

The Company has no promoter for the purpose of the Listing Rules.

P. SPONSOR

Ample Capital has been appointed as the sponsor of the Company for the deemed new listing application of the Company.

Q. SPONSOR'S FEES

The sponsor's fees for Ample Capital is approximately HK$8.3 million.

R. MISCELLANEOUS

Except as disclosed in this appendix to this circular:

(a) within the two years preceding the date of this circular:

(i) no share or loan capital of the Company or any of its subsidiaries had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions (other than the placing commission paid to the Placing Agent in relation to the Share Placing and the CB Placing), discounts, brokerages or other special terms had been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(iii) no share or loan capital of the Company or any of it subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.

(b) none of the persons whose names are listed in the paragraph "Qualifications and consents of experts" in this appendix had any shareholding in any member of the Restructured Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Restructured Group;

(c) the Directors have been advised that no material liability for estate duty would be likely to fall upon any member of the Restructured Group;

(d) there is no arrangement under which future dividend declared by the Company have been waived or agreed to be waived;

(e) there had not been any interruption in the business of the Restructured Group which may have had a significant effect on the financial position of the Restructured Group in the 12 months preceding the date of this circular;

(f) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;

(g) all necessary arrangements had been made with HKSCC for the Shares, Consideration Shares, Placing Shares, and Conversion Shares to continue to be accepted as eligible securities of CCASS;

(h) the Directors and the proposed Directors were not aware of any person who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the members of the Restructuring Group; and

(i) other than the Shares listed on the Stock Exchange, none of the Company's equity or debt securities is currently listed on or dealt in on any other stock exchange or trading system, and no such listing or permission to list on any other stock exchange is currently being or proposed to be sought.

The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the Company's website at http://www.uright.com.hk and on the SFC's website at http://www.sfc.hk. The documents are also available at the Company's principal place of business in Hong Kong at Unit 2408, 24/F., World-wide House, 19 Des Voeux Road Central, Hong Kong during 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the SGM:

(a) the Memorandum and the Bye-laws;

(b) the Memorandum and articles of association of the Target Company approved and adopted on 29 October 2014;

(c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(d) the letter of recommendation from the IBC to the Independent Shareholders dated 27 October 2017, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(e) the letter of advice from Messis Capital Limited to the IBC and the Independent Shareholders dated 27 October 2017, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(f) the annual reports of the Company for each of the three years ended 31 March 2017;

(g) the accountants' report on the Target Group for the three years ended 31 December 2016 and the four months ended 30 April 2017 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;

(h) the report from ZHONGHUI ANDA CPA Limited relating to the financial information of the UR Disposal Group, the text of which is set out in Appendix IV-B to this circular;

(i) the report from ZHONGHUI ANDA CPA Limited relating to the financial information of Alfreda Disposal Group, the text of which is set out in Appendix IV-C to this circular;

(j) the accountants' report from ZHONGHUI ANDA CPA Limited relating to the unaudited pro forma financial information of the Restructured Group, the text of which is set out in Appendix V to this circular;

(k) the letter, summary of valuations and valuation certificates relating to the values of property interests of the Target Group as at 31 July 2017 prepared by DTZ Cushman & Wakefield Limited, the texts of which are set out in Appendix VI to this circular;

(l) the letter, summary of valuations and valuation certificates relating to the values of property interests of the Remaining Group as at 31 July 2017 prepared by DTZ Cushman & Wakefield Limited, the texts of which are set out in Appendix VII to this circular;

(m) the letter summarising certain aspects of Bermuda company law prepared by Conyers Dill & Pearman, the text of which is set out in Appendix VIII to this circular;

(n) the PRC legal opinions issued by Commerce and Finance Law Offices, the PRC Legal Advisers;

(o) the PRC tax opinions issued by RSM Tax Advisory (Hong Kong) Limited, the tax adviser to the Target Group;

(p) the Companies Act;

(q) the rules of the Share Option Scheme, the text of which is set out in paragraph headed "H. Share Option Scheme" in the "Statutory and general information" in Appendix IX to this circular;

(r) the material contracts referred to in the paragraph headed "J. Summary of Material Contracts" in the "Statutory and general information" in Appendix IX to this circular;

(s) the written consents referred to in the paragraph headed "M. Qualifications and Consents of Experts" in the "Statutory and general information" in Appendix IX to this circular;

(t) copy of service contract or letter of appointment referred to in the paragraph headed "E. Disclosure of interests — 3. Particulars of service contracts" in the "Statutory and general information" in Appendix IX to this circular; and

(u) copy of this circular.

Subject to the terms and conditions of the Convertible Bonds, the Conversion Price shall from time to time be adjusted in accordance with the following provisions (but shall however not be adjusted below the nominal value of Shares) and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of paragraphs (1) to (6) below it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

(1) If and whenever there shall be an alteration to the nominal amount of a Share by reason of any consolidation or subdivision, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business on the Business Day immediately preceding the date on which the relevant consolidation or subdivision (as the case may be) becomes effective, PROVIDED THAT, where the Conversion Date shall fall on or before the said Business Day but the Company shall not by the close of business on the said Business Day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the Bondholder in accordance with the Conversion Right, be deemed to have become effective before the Conversion Date.

(2) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the Shares in issue immediately before such issue; and

D = the aggregate nominal amount of the Shares issued in connection with and as a result of such capitalisation,

PROVIDED THAT if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Conversion Price shall be adjusted in such manner as an approved merchant bank or the auditors of the Company shall certify to be appropriate, having regard to the relative interests of the persons affected thereby.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

(3) If and whenever the Company shall make (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own shares which is permitted by law and, for so long as the Convertible Bonds are listed on the Stock Exchange, by the rules of the Stock Exchange and in accordance with the provisions of the Memorandum of Association and Bye-laws) any capital distribution to holders of Shares (in their capacity as such) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the closing price per Share on the Stock Exchange on the dealing day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced (whether or not such capital distribution or grant is subject to the approval of the holders of Shares or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant (or, where there is no closing price on such dealing day, the closing price on the dealing day on which there was a closing price immediately preceding the relevant date); and

F = the amount calculated by dividing the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant, as determined in good faith by an approved merchant bank or the auditors of the Company, of such capital distribution or of such rights by the number of Shares participating in such capital distribution or, as the case may be, in the grant of such rights,

PROVIDED THAT:

(a) if in the opinion of the relevant approved merchant bank or the auditors of the Company, the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected

thereof, is significantly inequitable, it may instead determine and in such event the above formula shall be construed as if F meant the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights; and

(b) the provisions of this paragraph (3) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant capital distribution or grant.

(4) If and whenever the Company shall offer to holders of Shares new Shares for conversion by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Shares in issue immediately before the date of such announcement;

H = the number of Shares which the aggregate of the two following amounts would purchase at such market price:

(a) the total amount (if any) payable for the rights, options or warrants being offered or granted; and

(b) the total amount payable for all of the new Shares being offered for conversion or comprised in the options or warrants being granted; and

I = the aggregate number of Shares being offered for conversion or comprised in the options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

(5) (a) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of conversion for new Shares, and the total Effective Consideration (as defined below) per new Share initially receivable for such securities is less than 90% of the market price at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

where:

J = the number of Shares in issue immediately before the date of the issue of such securities;

K = the number of Shares which the total Effective Consideration receivable for such securities would purchase at such market price; and

L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the conversion rights conferred by, such securities at their relative initial conversion or exchange rate or conversion price.

PROVIDED THAT the provisions of this sub-paragraph (a) shall not apply to any securities issued or existing prior to the date of the instrument of the Convertible Bonds, or to any issue of Shares pursuant to the terms of any of such securities.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business on the Business Day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or conversion price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of holders of Shares or other persons) and the date of such announcement is earlier than the said date, the Business Day immediately preceding the date of such announcement.

(b) If and whenever the rights of conversion or exchange or conversion attached to any such securities as are mentioned in sub-paragraph (a) above of this paragraph (5) are modified so that the total Effective Consideration per new Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or conversion, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by following fraction:

$$\frac{M + N}{M + O}$$

where:

M = the number of Shares in issue immediately before the date of such modification;

N = the number of Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or conversion price would purchase at such market price; and

O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the conversion rights conferred by, such securities at their relative modified conversion or exchange rate or conversion price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or conversion shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or conversion terms.

(c) For the purposes of this paragraph (5):

(i) the ''total Effective Consideration'' receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the conversion rights attaching thereto; and

(ii) the total Effective Consideration per new Share initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the conversion rights attaching thereto at the

initial conversion price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.

(6) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for such issue would purchase at such market price; and

R = the number of Shares allotted pursuant to such issue.

Such adjustment shall become effective on the date of the issue.

The provisions of paragraphs (2), (3), (4), (5) and (6) above shall not apply to:

(i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the exercise of the Conversion Right) to acquire Shares (including for the avoidance of doubt the share options presently in issue by the Company);

(ii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or in part consideration for the acquisition of any other securities, assets or business;

(iii) an issue of fully-paid Shares by way of capitalisation of all or part of any reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or carrying rights to acquire, Shares;

(iv) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares in aggregate is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices on the Stock Exchange for the five (5) consecutive trading days on each of which

there is a closing price ending on the last such trading day immediately preceding the day on or as of which holders of Shares may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash;

(v) an issue by the Company of Shares or by the Company or any Subsidiary of securities convertible into or exchangeable for or carrying rights of conversion for Shares pursuant to any share option scheme(s); or

(vi) any issue by the Company of Shares or by the Company or any Subsidiary of securities convertible into or exchangeable for or carrying rights of conversion for Shares as disclosed in this circular.

In this appendix, unless the context otherwise requires, the following terms shall have the meanings as set out below:

''announcement''	includes the release of an announcement to the press or the delivery or transmission by telephone, facsimile transmission or otherwise of an announcement to the Stock Exchange
''approved merchant bank''	an independent reputable merchant bank or other reputable financial institution in Hong Kong selected by the Directors
''capital distribution''	(without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution
''Conversion Date''	the date a bondholder delivers the duly completed Conversion Notice together with other relevant documents to the Company's principal place of business in Hong Kong
''Conversion Notice''	the notice of conversion for use in conversion of the Convertible Bonds which is endorsed on the certificate in respect of such Convertible Bonds
''Conversion Right''	the right of the holder of each Convertible Bond to convert such Convertible Bond into Conversion Shares
''date of announcement''	the date on which the announcement is first so released, delivered or transmitted and ''announce'' shall be construed accordingly
''issue''	includes allot

"market price"	the average of the closing prices of one Share on the Stock Exchange for the five (5) consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on or as of which the market price is to be ascertained
"reserves"	includes unappropriated profits
"rights"	includes rights in whatsoever form issued
"Shares"	includes, for the purposes of Shares comprised in any issue, distribution, offer or grant pursuant to paragraphs (2), (3), (4), (5) or (6) above any such shares of the Company as, when fully paid, will be Shares

U-RIGHT INTERNATIONAL HOLDINGS LIMITED
佑威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 627)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of U-RIGHT International Holdings Limited (the "**Company**") will be held at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 20 November 2017 at 10:30 a.m. for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions of the Company:

AS ORDINARY RESOLUTIONS

1. The Acquisition

1. "**THAT**:

   (a) the sale and purchase agreement dated 14 April 2015 (the "**Acquisition Agreement**") and as supplemented by the supplemental agreements dated 27 October 2015, 23 February 2016, 28 July 2016, 28 October 2016, 26 January 2017, 15 February 2017, 30 June 2017 and 29 September 2017 (the "**Supplemental Agreements**") entered into between the Company as purchaser and Tongda Enterprises Limited (the "**Vendor**") as seller (a copy of each of the Acquisition Agreement and the Supplemental Agreements is produced to the Meeting and marked "**A1**", "**A2**", "**A3**", "**A4**", "**A5**", "**A6**", "**A7**", "**A8**" and "**A9**" respectively and both initialled by the Chairman of the Meeting for identification purpose) in relation to the purchase by the Company from the Vendor the entire issued share capital in Vivalink Limited and the shareholder's loan at the consideration of HK$1,511,313,200 (the "**Acquisition**") and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;

   (b) conditional upon The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the 6,415,060,000 new shares (the "**Consideration Shares**") of the Company of HK$0.01 each (each a "**Share**"), the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate to allot and issue the Consideration Shares at the issue price of HK$0.22 per Consideration Share to partly satisfy the consideration of the Acquisition provided that this specific

* *For identification purposes only*

mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Acquisition Agreement (as supplemented by the Supplemental Agreements) and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Consideration Shares.''

2. The Whitewash Waiver

2. ''**THAT**:

(a) subject to (i) passing of resolution numbered 1 above; and (ii) the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division (the ''**Executive**'') of the Securities and Futures Commission (the ''**SFC**'') granting to the Vendor the waiver to make a mandatory general offer to the shareholders of the Company (''**Shareholders**'') in respect of the securities of the Company not already owned or agreed to be acquired by the Vendor and the parties acting in concert with it as a result of the allotment and issue of the Consideration Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code (the ''**Whitewash Waiver**'') and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, waiving any obligation of the Vendor and parties acting in concert with it to make a mandatory general offer to other Shareholders in respect of the securities of the Company as a result of the allotment and issue of the Consideration Shares to the Vendor upon completion of the Acquisition Agreement be and is hereby approved; and

(b) any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where execution under seal is required) and to take such steps as he/they may consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Whitewash Waiver.''

3. Alfreda Disposal

3. "**THAT**:

(a) the sale and purchase agreement dated 27 October 2015 (the "**Alfreda Disposal Agreement**") and as supplemented by the supplemental agreements dated 23 February 2016, 28 July 2016, 28 October 2016, 26 January 2017, 31 March 2017, 30 June 2017 and 29 September 2017 (the "**Alfreda Supplemental Agreements**") entered into between the Company as seller and Ma Weihong (the "**Alfreda Purchaser**") as purchaser (a copy of each of the Alfreda Disposal Agreement and the Alfreda Supplemental Agreement is produced to the Meeting and marked "**B1**", "**B2**", "**B3**", "**B4**", "**B5**", "**B6**", "**B7**" and "**B8**" respectively and both initialled by the Chairman of the Meeting for identification purpose) in relation to the Company selling to the Alfreda Purchaser the entire issued share capital in Alfreda Limited and the assignment of the outstanding loan of HK$16,799,992 due by Alfreda Limited and its subsidiaries to the Company at the consideration of HK$22,358,478 (the "**Alfreda Disposal**") and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and

(b) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Alfreda Disposal Agreement (as supplemented by the Alfreda Supplemental Agreements) and the transactions contemplated thereunder."

4. UR Disposal

4. "**THAT**:

(a) the sale and purchase agreement dated 27 October 2015 (the "**UR Disposal Agreement**") and as supplemented by the supplemental agreements dated 23 February 2016, 29 July 2016, 28 October 2016, 26 January 2017, 31 March 2017, 30 June 2017 and 29 September 2017 (the "**UR Supplemental Agreements**") entered into between the Company as seller and Qiu Wenzhong (the "**UR Purchaser**") as purchaser (a copy of each of the UR Disposal Agreement and the UR Supplemental Agreement is produced to the Meeting and marked "**C1**", "**C2**", "**C3**", "**C4**", "**C5**", "**C6**", "**C7**" and "**C8**" respectively and both initialled by the Chairman of the Meeting for identification purpose) in relation to the Company selling to the UR Purchaser the entire issued share capital in UR Group Limited and the assignment of the outstanding loan of HK$18,558,699 due by UR Group Limited and its subsidiaries to the Company at the consideration of HK$56,499,237 (the "**UR Disposal**") and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and

(b) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the UR Disposal Agreement (as supplemented by the UR Supplemental Agreements) and the transactions contemplated thereunder.''

5. Placing

5. ''**THAT**:

(a) the placing agreement dated 20 October 2017 (the ''**Placing Agreement**'') entered into between the Company and Ample Orient Capital Limited (the ''**Placing Agent**'') as placing agent (a copy of the Placing Agreement has been produced to the Meeting and marked ''**D**'' and initialled by the Chairman of the Meeting for identification purpose) in relation to a private placing of (i) 2,727,280,000 new ordinary shares of HK$0.01 each in the share capital of the Company (the ''**Placing Shares**'') to independent placees (the ''**Shares Placees**'') at the placing price of HK$0.22 per Placing Share (the ''**Placing Price**''); (ii) a three-year unsecured redeemable 9% per annum interest bearing convertible bonds of an aggregate principal amount of not more than HK$200,000,000 to be issued by the Company (the ''**CB**'') convertible into new ordinary shares of HK$0.01 each in the share capital of the Company (the ''**CB Conversion Shares**'') at the initial conversion price of HK$0.22 per CB Conversion Share (the ''**Conversion Price**'') to independent placees (the ''**CB Placees**'') and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the issue of the Placing Shares and the CB to the Share Placees and the CB Placees respectively in accordance with the terms of the Placing Agreement be and is hereby approved;

(c) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares and the CB Conversion Shares, the Directors be and are hereby granted a specific mandate to allot and issue the Placing Shares and the CB Conversion Shares in accordance with the terms of the Placing Agreement provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

(d) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Placing Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Placing Shares and the CB Conversion Shares.''

6. Appointment of proposed Directors

6. "**THAT** subject to completion of the transactions contemplated under the Acquisition (as defined in the resolution numbered 1)

(a) the appointment of Mr. Pan Weiming as an executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(b) the appointment of Mr. Pan Jungang as an executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(c) the appointment of Ms. Chen Weihong as an executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(d) the appointment of Mr. Pan Haoran as an executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(e) the appointment of Mr. Li Jinrong as an executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(f) the appointment of Mr. Yuen Chee Lap, Carl as an independent non-executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(g) the appointment of Mr. Yang Xiaoping as an independent non-executive Director with effect from the completion of the transactions contemplated under the Acquisition be considered and approved;

(h) the board of Directors (the "**Board**") be authorized to fix the remuneration of each of the above proposed Directors; and

(i) any Director be authorised to enter into the service contract or letter of appointment or such other documents or supplemental agreements or deeds with each of the above proposed Directors."

7. Share Option Scheme

7. "**THAT** conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the share option scheme (the "**Scheme**") (a copy of the Scheme has been produced to the Meeting marked "**E1**" and initialled by the Chairman of the Meeting for identification purpose), the principal terms of it are described in paragraph H of Appendix IX to the circular of the Company dated 27 October 2017 (a copy of the Appendix IX has

been produced to the Meeting marked "**E2**" and initialled by the Chairman of the Meeting for identification purpose), the Scheme be and is hereby approved and adopted by the Company and the Board be and is hereby authorised to administer the Scheme, to grant options and to allot, issue and deal with the Shares pursuant to the exercise of any option granted thereunder and to take such steps and do such acts and to enter into such transactions, arrangements or agreements as may be necessary or expedient in order to implement and give full effect to the Scheme."

AS SPECIAL RESOLUTIONS

8. Share Premium Reduction

"8. **THAT**:

(a) conditional upon compliance by the Company with all statutory requirements under section 46(2) of the Companies Act 1981 of Bermuda and the bye-laws of the Company (the "**Bye-laws**"), with effect from the date of passing of this resolution (the "**Effective Date**"), the entire amount standing to the credit of the share premium account of the Company as at the Effective Date be cancelled, and the credit arising therefrom be credited to the contributed surplus account of the Company, which may be used in any manner permitted by the Bye-laws including, without limitation, to set off against the accumulated losses of the Company; and

(b) any one or more Directors be and is/are hereby generally and unconditionally authorized to do all such acts, matters and things, prepare and execute all documents (under seal if applicable), and do all things they consider necessary, expedient and appropriate to give effect and implement any of the foregoing."

9. Change of Company Name

9. "**THAT** subject to completion of the transactions contemplated under the Acquisition (as defined in the resolution numbered 1) and the approval of the Registrar of Companies in Bermuda,

(a) the name of the Company be changed from "U-RIGHT International Holdings Limited" to "Fullsun International Holdings Group Co., Limited" and adopt the Chinese Name "福晟國際控股集團有限公司" as the secondary name of the Company; and

(b) the Directors and the Company Secretary of the Company be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the change of name of the Company, including attending necessary registration and filing for and on behalf of the Company."

By order of the Board
U-RIGHT International Holdings Limited
TANG Kwok Hung
Executive Director

Hong Kong, 27 October 2017

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Unit 2408, 24/F.
World-wide House
19 Des Voeux Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the Bye-laws, vote in his stead. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. Any corporation which is a shareholder of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its corporate representative or representatives provided that if more than one person is so authorised, the authority shall specify the number and class of shares held by the relevant shareholder in respect of which each such person is authorised to act as corporate representative.

2. In order to be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof (as the case may be).

3. A form of proxy for use by the shareholders at the Meeting is enclosed with the circular of the Company dated 27 October 2017 (the "**Circular**"). Completion and return of the form of proxy shall not preclude any member from attending and voting in person at the Meeting or any adjournment thereof. Such form of proxy and the Circular are also published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.uright.com.hk.

4. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint registered holders are present at the Meeting personally or by proxy, then one of the registered holders so present whose name stands first on the register of members of the Company in respect of such share, or his proxy, shall alone be entitled to vote and will be accepted to the exclusion of other joint registered holders in respect thereof.

5. Further information relating to all the matters set out in the above resolutions and further information relating to the Company are set out in the Circular.

6. The votes for approving all the resolutions shall be taken by poll.