

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

If you have sold or transferred all your shares in CHINA SANDI HOLDINGS LIMITED, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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SANDI
CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00910)

**(1) VERY SUBSTANTIAL DISPOSAL:
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
SUCCESS STANDARD INVESTMENTS LIMITED
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board is set out on pages 5 to 19 of this circular.

A notice convening a special general meeting of CHINA SANDI HOLDINGS LIMITED to be held at 11:00 a.m. on Tuesday, 28 January 2014 at 3/F., Nexus Building, 77 Des Voeux Road Central, Hong Kong is set out on pages S-1 to S-2 of this circular. A form of proxy for use at the special general meeting is enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chinasandi.com.hk).

Whether or not you are able to attend and vote at the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof (as the case may be) should you so wish.

10 January 2014

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the sale and purchase agreement dated 27 September 2013 as supplemented by the Supplemental Agreement and entered into between the Company as vendor, the Purchaser as purchaser and the Purchaser’s Guarantor as purchaser’s guarantor in relation to the Disposal
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong or the PRC are generally open for business during their normal business hours, save for a Saturday, a public holiday of Hong Kong or the PRC
“BVI”	the British Virgin Islands
“Company”	China Sandi Holdings Limited (中國三迪控股有限公司), a limited liability company incorporated under the laws of the Bermuda, shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Agreement
“Completion Date”	the fifth (5th) business days from the date on which the conditions precedent under the Agreement have been fulfilled or waived
“Consideration”	the cash consideration for the Sale Share and the Sale Loan in the sum of HK\$400 million
“Deposit”	a refundable deposit of HK\$5 million having been paid by the Purchaser to the Company pursuant to the terms of the LOI as deposit prior to the date of the Agreement and applied to settle part of the Consideration
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company to the Purchaser pursuant to the Agreement
“Disposed Company”	Success Standard Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Disposed Group”	the Disposed Company and its subsidiaries after the Reorganisation (i.e. excluding World Power and Shenyu Timber)
“Finalised Valuation”	the finalised valuation of the Disposed Group as at 30 September 2013 as assessed by Greater China Appraisal Limited of approximately HK\$440.1 million
“Fujian Sinco”	Fujian Sinco Industrial Co. Ltd* (福建先科實業有限公司), a limited liability company incorporated under the laws of the PRC and is an indirectly wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“JV Agreement”	a joint venture agreement dated 7 August 2013 entered into by Fujian Sinco and a company controlled by a substantial Shareholder for the establishment of a PRC entity for engaging in investment, development, sale, lease, management of properties and other ancillary services in the PRC, including bidding for a parcel of land in Xi’an, Shaanxi Province, the PRC
“Latest Practicable Date”	7 January 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	a letter of intent dated 18 June 2013 entered into between the Company and the Purchaser regarding the Disposal
“PRC”	the People’s Republic of China
“Purchaser”	Billion Master Investment Limited (億霸國際有限公司), a limited liability company incorporated under the laws of BVI and wholly-owned by the Purchaser’s Guarantor

DEFINITIONS

“Purchaser’s Guarantor”	Mr. Yang Jianbo* (楊劍波), the Purchaser’s guarantor and an Independent Third Party
“Remaining Group”	the Group after Completion (i.e. excluding the Disposed Group)
“Reorganisation”	the reorganisation of the Disposed Group upon completion of which World Power and Shenyu Timber, both are company incorporated under the laws of Hong Kong with limited liability will be transferred to the Remaining Group by the Disposed Group
“Sale Loan”	all the liabilities, obligations and indebtedness due by the Disposed Group to the Remaining Group on or at any time as at the Completion Date, whether actual, contingent or deferred and irrespective of whether or not the same are due or payable on the Completion Date, which for reference only as at 30 September 2013, amounted to approximately HK\$1,372.0 million
“Sale Share”	one ordinary share of US\$1.00 in the issued share capital of the Disposed Company, representing the entire issued share capital of the Disposed Company
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement, the Supplemental Agreement and the transactions contemplated thereunder
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of the Company of HK\$0.01 each
“Shenyu Timber”	Shenyu Timber Company Limited (神宇木業有限公司), a limited liability company incorporated under the laws of Hong Kong
“SLOI”	a supplemental letter of intent dated 25 June 2013 entered into between the Company and the Purchaser to supplement the LOI regarding the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered between the Company, the Purchaser and the Purchaser’s Guarantor dated 25 October 2013 to modify certain terms of the Agreement

DEFINITIONS

“Valuation Report”	a valuation report prepared by Greater China Appraisal Limited, an independent valuer jointly appointed by the Company and the Purchaser to value the fair value of the Disposed Group as of 30 September 2013 (i.e. the Finalised Valuation)
“Valuer”	Greater China Appraisal Limited
“World Power”	World Power Group Holdings Limited (匯力控股有限公司), a limited liability company incorporated under the laws of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



SANDI
CHINA SANDI HOLDINGS LIMITED
中國三迪控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 00910)

Executive Directors:

Mr. Chi Chi Hung, Kenneth
Ms. Zhang Jianchan

Independent Non-Executive Directors:

Dr. Wong Yun Kuen
Mr. Chan Chi Yuen
Mr. Yu Pak Yan, Peter
Mr. Zheng Jinyun
Mr. Zheng Yurui

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 3309
33rd Floor, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

10 January 2014

To the Shareholders,

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL:
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
SUCCESS STANDARD INVESTMENTS LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 18 June 2013 and 25 June 2013 respectively in relation to the LOI and the SLOI signed between the Purchaser and the Company and the announcement of the Company dated 1 November 2013 in relation to the Disposal.

LETTER FROM THE BOARD

The Board is pleased to announce that on 27 September 2013, the Company as vendor, the Purchaser as purchaser and the Purchaser's Guarantor as Purchaser's guarantor entered into the Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan at a total cash consideration of HK\$400 million, HK\$399,999,900 of which is the consideration for the Sale Share and HK\$100 of which is for the Sale Loan and will be paid by the Purchaser in tranches. On 25 October 2013, the Company, the Purchaser and the Purchaser's Guarantor further entered into the Supplemental Agreement which modifies, among others, the manner of payment of the Consideration.

THE AGREEMENT

Summarised below are the principal terms of the Agreement:

Date

27 September 2013 (as supplemented by the Supplemental Agreement dated 25 October 2013)

Parties

- (1) the Company as vendor;
- (2) the Purchaser as purchaser; and
- (3) the Purchaser's Guarantor as purchaser's guarantor.

The Purchaser is a company incorporated under the laws of the BVI with limited liability, which is wholly owned by the Purchaser's Guarantor. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the Purchaser and the Purchaser's Guarantor, whom is the ultimate beneficial owner of the Purchaser, are Independent Third Parties; and (ii) the Company and the Directors have no current or prior relationship and business arrangement with the Purchaser and the Purchaser's Guarantor save for entering into the LOI, the SLOI, the Agreement and the Supplemental Agreement. For further information on the Purchaser and the Purchaser's Guarantor, please refer to the paragraph headed "Information about the Purchaser and the Purchaser's Guarantor" of this circular.

Assets to be disposed

Subject to the terms and conditions of the Agreement (as supplemented by the Supplemental Agreement), the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase (1) the Sale Share, representing the entire issued share capital of the Disposed Company, which is a wholly-owned subsidiary of the Company; and (2) the Sale Loan, being all the liabilities, obligations and indebtedness due by the Disposed Group to the Remaining Group on or at any time as at the Completion Date, whether actual, contingent or deferred and irrespective of whether or not the same are due or payable on Completion. As at 30 September 2013, the Disposed Group recorded shareholders' loan of approximately HK\$1,372.0 million due to the Remaining Group.

LETTER FROM THE BOARD

Upon Completion, the Disposed Group will cease to be the subsidiaries of the Company and its financial results will no longer be consolidated in the Group's consolidated financial statements.

There is no restriction imposed on the Purchaser regarding the further transfer of the Sale Share.

Please refer to the section headed "Information about the Disposed Group" of this circular for details of the Disposed Group.

Consideration

The total consideration for the Sale Share and the Sale Loan is HK\$400,000,000 (HK\$399,999,900 of which is the consideration for the Sale Share and HK\$100 of which is for the Sale Loan), which will be satisfied in cash by the Purchaser in the following manner:

- (1) as to HK\$40,000,000, as provided under the Supplemental Agreement, within ten Business Days from the date of the announcement of the Company in relation to the Disposal (i.e. 1 November 2013), of which HK\$5,000,000 having been paid by the Purchaser to the Company as the Deposit and the remaining HK\$35,000,000 has been paid by the Purchaser to the Company on 14 November 2013; and
- (2) as to HK\$360,000,000 upon the Completion Date.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser and on an aggregate basis given that the disposal of Sale Share and Sale Loan are inter-conditional. The consideration for the Sale Loan is arbitrary for the purpose to provide a nominal value for ease of executing the Agreement.

Valuation of the Disposed Group

In arriving the Consideration, the Directors have taken into consideration of various factors including: (i) the preliminary valuation of the Disposed Group of approximately HK\$527.1 million as at 30 August 2013 conducted by Greater China Appraisal Limited, an independent firm of professional valuer jointly appointed by the Company and the Purchaser, by discounted cash flow method under income approach; (ii) the recent financial position and performance of the Disposed Group; (iii) the outlook of the ecological forestry business in the PRC; and (iv) the commercial reasons and benefits set out in the paragraph headed "Reasons for and benefits of the Disposal" below.

The Valuer has prepared a finalised valuation of the Disposed Group of approximately HK\$440.1 million as at 30 September 2013 by discounted cash flow method under income approach (the "**Finalised Valuation**").

As the Valuer has applied the discounted cash flow method under income approach in preparing the Finalised Valuation, the Finalised Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. For preparation of the Finalised Valuation, certain general and major assumptions are adopted by the Valuer.

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General assumptions

Summarised below are the general assumptions adopted in the Finalised Valuation:

- (1) there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong and the PRC where the Disposed Group is carrying on its businesses;
- (2) there will be no significant deviation in the industry trends and market conditions from the current market expectation;
- (3) there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- (4) there will be no major change in the current taxation law in Hong Kong, the PRC and countries of origin of the comparable companies;
- (5) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and
- (6) the Disposed Group will retain competent management, key personnel, and technical staff to support the ongoing business operations.

Major assumptions

Summarised below are the major assumptions adopted in the Finalised Valuation:

- (1) a total area of approximately 5 million mu of the forest land is owned by the Disposed Group according to the legal opinion regarding the ownership of the forestry assets of the Disposed Group, of which approximately 2.6 million mu is wasteland, and the Disposed Group also has the land use rights covering a total area of approximately 5 million mu;
- (2) all prices and cost data provided are directly obtained from the market, which are made reference to the prevailing log sale prices and related cost data contained in the findings of the Valuer;
- (3) different recovery rates are adopted for different types of trees in various provinces in the PRC; and
- (4) the operating costs mainly include logging area design fees, loading and transportation costs, annual operating license fees and management fees.

Full contents of the Valuation Report, including details of the assumptions, basis and methodology of the valuation are included in this circular as Appendix IV(A).

LETTER FROM THE BOARD

Based on the information currently available, the Directors are of the view that the Finalised Valuation prepared by the Valuer has been made after due and careful enquiry. A letter from the Company's auditors and the confirmation from the Directors with respect to the Finalised Valuation as required under Rule 14.62 of the Listing Rules are also included in this circular as Appendix IV(B).

As discussed in the paragraph headed "Reasons for and benefits of the Disposal" of this circular, after assessing the returns generated from production and sales of traditional timber products under the current market and operating conditions, the Group has ceased to carry out harvesting activities since the second quarter of 2009. In addition, the biomass energy project was not progressing smoothly. As such, the Disposed Group only generated revenue of approximately HK\$16,000 from its ecological forestry business for the year ended 31 March 2013. The Disposed Group did not generate any revenue during the six months ended 30 September 2013.

In 2012, the Group completed the acquisition of a property investment business and has positioned property investment as its core business. On 7 August 2013, Fujian Sinco Industrial Co. Ltd.* (福建先科實業有限公司) ("**Fujian Sinco**"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "**JV Agreement**") with a company controlled by a substantial Shareholder for the establishment of a PRC entity for engaging in investment, development, sale, lease, management of properties and other ancillary services in the PRC, including bidding for a parcel of land in Xi'an, Shaanxi Province, the PRC for property development. On 2 October 2013, the aforesaid transaction was completed and the Group started to engage in property development business. The Board considers that it is beneficial for the Group to dispose of the Disposed Group and focus to develop its property development and investment business, which generates stable income to the Remaining Group with growth potential.

In October 2012, the Group announced its intention of the Disposal and the Company appointed Showa Leasing (Hong Kong) Ltd. as its coordinator for the public tender to dispose of the Disposed Group. Since the commencement of the public offer, the Company had only received one formal bid with a refundable deposit placed from the Purchaser. In light of (i) the reasons for and the benefits brought by the Disposal; (ii) the difficulties to find another potential purchaser whom can offer more favourable terms to purchase the Disposed Group; and (iii) applying the cash proceeds for corporate uses and investing in other potential profit generating projects, the Directors consider disposing the Disposed Group to the Purchaser at a discount to the appraised fair value of the Disposed Group (i.e. a discount of approximately HK\$40.1 million) is justifiable.

LETTER FROM THE BOARD

Conditions precedent

The Disposal is conditional upon:

- (1) if applicable under the Listing Rules, the Company having published an announcement and despatched a circular and the Shareholders having duly passed resolutions at the SGM to be convened or in other manner as permitted by the Listing Rules to approve, inter alia, the Agreement, the Supplemental Agreement and the transactions contemplated thereunder;
- (2) the Purchaser having confirmed in writing that it is satisfied at its sole and absolute discretion with the results of the due diligence review on the Disposed Group;
- (3) all necessary consents, approvals, licences and authorisation required to be obtained on the part of the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained respectively;
- (4) all necessary consents, approvals, licences and authorisation required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained respectively;
- (5) the obtaining of the Valuation Report from Greater China Appraisal Limited, a firm of independent professional valuers jointly appointed by the Company and the Purchaser (i.e. the Valuer), showing the fair value of the Disposed Group to be not less than HK\$400,000,000;
- (6) the warranties given by, or in respect of, the Company respectively under the Agreement being true and accurate in all material respect;
- (7) the warranties given by, or in respect of, the Purchaser respectively under the Agreement being true and accurate in all material respect;
- (8) the Reorganisation having been duly completed and the entire issued capital of World Power and Shenyu Timber having been transferred to the Remaining Group; and
- (9) the obtaining of a PRC legal opinion issued by a PRC legal advisor jointly appointed by the Company and the Purchaser in the form to the satisfaction of the Purchaser.

As at the Latest Practicable Date, save to condition (5) the obtaining of the Valuation Report (contents of the same are included in this circular as Appendix IV(A) to this circular), none of the conditions above had been duly satisfied. Save as conditions (1) and (8) are incapable of being waived, the Purchaser may waive in writing any of the conditions (2), (3), (6) and (9) and the Company may waive in writing any of the conditions (4) and (7) at any time. In the event that all the conditions precedent specified above have not been satisfied or waived on or before 5 p.m. on 31 March 2014 (or at a later date as agreed among the Company and the Purchaser in writing), the Agreement and the Supplemental Agreement will lapse and have no further effect save and except any antecedent breach.

LETTER FROM THE BOARD

In the event that all the conditions precedent specified above have been satisfied or waived on or before 5 p.m. on 31 March 2014 (or at a later date as agreed among the Company and the Purchaser in writing), but the Completion is not taken place due to non-performance of the Agreement (as supplemented by the Supplemental Agreement) of the Purchaser, the Company shall be entitled to, without prejudice to its other remedies or rights, forfeit the Deposit as damages (not as penalty). In the event that all the conditions precedent specified above have been satisfied or waived on or before 5 p.m. on 31 March 2014 (or at a later date as agreed among the Company and the Purchaser in writing), but the Completion is not taken place due to reason other than the non-performance of the Agreement (as supplemented by the Supplemental Agreement) of the Purchaser, the Company shall forthwith refund the Deposit and the Purchaser shall not make any other claims for damages or specific performance or any requests for compensation.

Completion

Completion of the Disposal shall take place on the fifth (5th) Business Day after the date on which the conditions precedent for completion under the Agreement are satisfied or waived. The sale and purchase of all the Sale Share and Sale Loan shall be completed simultaneously.

Termination of the Agreement

Having considered the maintenance of the due performance of both Company and Purchaser under the Agreement and the opportunity costs of the failure of the Disposal, the parties to the Agreement have further agreed that:

- (1) the Company is entitled to terminate the Agreement and the Supplemental Agreement by a written notice if the Completion is unable to take place on the Completion Date due to the following events:
 - (a) the Purchaser having failed to satisfy any payment in the manner specified in the Agreement (as supplemented by the Supplemental Agreement); or
 - (b) the Purchaser having failed to deliver any of the completion documents on the Completion Date;

immediately upon the Company having served the termination notice to the Purchaser, the Company is entitled to forfeit the Deposit as compensation; and

- (2) the Purchaser is entitled to terminate the Agreement and the Supplemental Agreement by a written notice if the Company having failed to deliver any of the documents as agreed to be delivered on the date of the Agreement or the completion documents on the Completion Date. Immediately following the Purchaser having served the termination notice to the Company, the Company will refund the Deposit to the Purchaser in full.

LETTER FROM THE BOARD

Guarantees

The Purchaser's Guarantor guaranteed to the Company the due and punctual performance and observance by the Purchaser of all its obligations, undertakings or commitments subject to and upon the terms and conditions of the Agreement (as supplemented by the Supplemental Agreement). In any event, the total sum of damages and compensation payable by the parties will not be more than HK\$400,000,000.

INFORMATION ABOUT THE PURCHASER AND THE PURCHASER'S GUARANTOR

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser is an investment holding company incorporated under the laws of the BVI and is wholly-owned by the Purchaser's Guarantor, an Independent Third Party. The Purchaser's Guarantor is a director and the vice-president of Guizhou Jianhe Yuanfang Forestry Investment Company Limited* (貴州劍河園方林業投資有限公司) ("Guizhou Jianhe Yuanfang"), a company incorporated in the PRC in 2011 with a registered capital of RMB300 million and engaged in the business of forestry plantation and manufacture and sale of forestry products. The Purchaser's Guarantor does not hold any share capital of Guizhou Jianhe Yuanfang.

INFORMATION ABOUT THE DISPOSED GROUP

The Disposed Company is a wholly-owned subsidiary of the Company incorporated under the laws of the BVI with limited liability and an investment holding company. After the completion of the Reorganisation, the Disposed Company will hold 13 wholly-owned subsidiaries, (i) 3 of which are incorporated under the laws of the BVI; (ii) 3 are incorporated under the laws of Hong Kong; and (iii) 7 are incorporated under the laws of the PRC. The Disposed Company also holds 99% interest in a subsidiary incorporated under the laws of the PRC. The group companies of the Disposed Group are either principally engaged in investment holding or tree plantation and management, manufacture and distribution of forestry products and biomass energy products in the PRC.

Reasons for the Reorganisation

Pursuant to the terms of the Agreement, World Power and Shenyu Timber shall be transferred to the Remaining Group (i.e. the Reorganisation). It is beneficial for the Group to carry out the Reorganisation given that:

- (i) both World Power and Shenyu Timber are not engaged in forestry business and taking them out of the Disposed Group would not affect the operation of the Disposed Group;
- (ii) World Power only holds a vehicle beneficially owned by the Remaining Group and it is an investment holding company with no actual operation; and
- (iii) Shenyu Timber does not hold any asset and provides company secretarial services to the Remaining Group, which is in the advantage for the Remaining Group to keep Shenyu Timber for administrative purpose.

LETTER FROM THE BOARD

Major assets of the Disposed Group

As at 30 September 2013, a total area of approximately 5 million mu forest land and the land use right covering a total area of approximately 5 million mu located in various provinces of the PRC are owned by the Disposed Group and details of which are as follows:

Forest land Location (Province of the PRC)	Mu ('000)	Nature of plantation
Chongqing	312	Forestry (Chinese fir, Masson pine, Chinese pine, Chinese cedar, Cypress, Broadleaf, Conifer broadleaf)
Guangxi	257	Forestry (Yunnan pine, Masson pine, Chinese fir, Broadleaf, Conifer broadleaf)
Guizhou	386	Forestry (Chinese fir, Slash pine, Chinese cedar, Hard broadleaf)
Hubei	128	Forestry (Masson pine, Chinese fir, Cypress, Broadleaf)
Hunan	2,236	Forestry (Chinese fir, Masson pine, Foreign pine, Cypress, Hard broadleaf, Broadleaf, Soft broadleaf, Conifer broadleaf)
Shaanxi	131	Forestry (Chinese pine, Broadleaf)
Shanxi	185	Forestry (Mongolian oak, False acacia, Chinese pine, Cypress, Broadleaf, Conifer broadleaf)
Sichuan	52	Forestry (Conifer broadleaf, Chinese cedar, Broadleaf, Yunnan pine)
Yunnan	<u>1,231</u>	Jatropha curcas
Total	<u><u>4,918</u></u>	

Land Use Right

Location (Province of the PRC)	Mu ('000)
Yunnan	1,001
Inner Mongolia	<u>4,000</u>
Total	<u><u>5,001</u></u>

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE DISPOSED GROUP

Set out below is a summary of the unaudited consolidated financial information of the Disposed Group prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the audited results of the Group for each of the two years ended 31 March 2012 and 2013 and six months ended 30 September 2013:

	For the year ended 31 March		For the 6 months ended 30 September
	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000
Turnover	6,360	16	—
(Loss)/profit before income tax	(1,700,425)	95,516	(373,749)
(Loss)/profit for the year/period	(1,562,368)	95,516	(373,749)

As at 30 September 2013, the consolidated net assets of the Disposed Group as extracted from the unaudited consolidated statement of financial position of the Group were approximately HK\$187.7 million.

Please refer to the Appendix III to this circular for further financial information of the Disposed Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in tree plantation and management, manufacture and distribution of forestry products, property development and holding of properties for investment and rental purpose.

In 2012, the Group completed the acquisition of property investment business and has positioned property investment as its core business. For the year ended 31 March 2013 and the six months ended 30 September 2013, the Group recorded rental income and property management and related fee income of approximately HK\$118.6 million and HK\$64.4 million respectively, representing approximately 99.99% and 100% of the total revenue of the Group respectively during the corresponding periods. As mentioned in the section headed “Consideration” above, Fujian Sinco, an indirect wholly-owned subsidiary of the Company, was established and the Group diversifies its business by entering into property development industry.

On the other hand, the business and financial performance of the ecological forestry business of the Group were unsatisfactory over the past few years. After harvesting the timbers located at the more convenient forest area, the Group is required to pay high transportation cost including the road construction cost and labour cost to reach the remote forest area to harvest the timbers. In addition, due to the implementation of a more stringent environmental policy by the government in recent years to protect the forests in the PRC, it was difficult for the Group to apply for all the necessary licences and permits, including the harvesting licences (林木採伐

LETTER FROM THE BOARD

許可證), for conducting harvesting activities to harvest the timbers. After taking into account of the above factors and balancing the costs and benefits in harvesting the timbers, the Group considered it was difficult to yield a reasonable return and cease to carry out any harvesting activities since the second quarter of 2009. In respect of the biomass energy business of the Group, due to insufficient supply of raw materials and material fluctuation in energy prices, the biomass energy project of the Group was not progressing smoothly.

In view of the property development and investment business of the Group will bring a positive and stable return to the Group and the unsatisfactory performance of the ecological forestry business, the Board considers that it is beneficial for the Group to concentrate its resources to develop the property development and investment business with potential and dispose of the unprofitable ecological forestry business.

Based on the above, the Directors consider that the terms of the Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and the entering into the Agreement and the Supplemental Agreement are in the interests of the Company and the Shareholders as a whole.

BUSINESS OF THE REMAINING GROUP

Immediately after the Completion, the Remaining Group will be principally engaged in holding of properties for investment and rental purpose and property development. The Remaining Group will not engage in any tree plantation and management, manufacturing and distribution of forestry products and biomass energy products business. As at the Latest Practicable Date, the Board has no present intention, negotiation or arrangement or undertaking to dispose of or cease or curtail the business of the Remaining Group and, apart from the transactions as disclosed in the announcement dated 7 August 2013 and the circular dated 4 September 2013 in respect of the formation of joint venture companies and the payment of earnest monies for bidding of the land in Xi'an, Shaanxi Province, the PRC, the Company had not identified any potential property development and investment projects to be invested in. Therefore, save for the entering into of the JV Agreement and the transactions contemplated thereunder, the Company had not entered into any agreement, arrangement, understanding or negotiation about any acquisition of assets or business as at the date of the Latest Practicable Date. Nevertheless, the Board will continue to explore investment opportunities in order to expand and/or diversify the Group's business for the benefit of the Shareholders.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

Upon the Completion, each of the members of the Disposed Group will cease to be subsidiary of the Company and the results of the Disposed Group will cease to be consolidated with those of the Company.

For illustration purpose, the expected gain on the Disposal amounted to approximately HK\$601.3 million, which is calculated as the Consideration of HK\$400 million (a) minus the aggregate of (i) the disposal of Sale Loan as at Completion, the amount of which as of 30 September 2013 amounted to approximately HK\$1,372.0 million; (ii) the net assets value of the Disposed Group of approximately HK\$187.7 million as at 30 September 2013; (iii) the total net liabilities of World Power and Shenyu Timber amounted to approximately HK\$8.5

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million as at 30 September 2013; and (iv) the estimated relevant fees and expenses in relation to the Disposal of approximately HK\$4.6 million and (b) add (i) the release of exchange fluctuation reserves of approximately HK\$868.0 million and (ii) the loss on measurement of Disposed Group at fair value less cost to sell of HK\$906.1 million recognised by the Group as at 30 September 2013.

The loss on measurement of Disposed Group at fair value less cost to sell of HK\$906.1 million is calculated in accordance with the HKFRS 5, which specifies that an issuer shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. It was calculated as the carrying amount of net asset of the Disposed Group as at 30 September 2013 amounted to approximately HK\$187.7 million (a) add the Sale Loan as of 30 September 2013 amounted to approximately HK\$1,372.0 million and (b) minus (i) the Consideration of HK\$400.0 million and (ii) the unrecognised impairment of approximately of HK\$253.6 million, which represents the required impairment exceeds the carrying value of the non-current assets within the scope of the measurement rules under HKFRS 5 as at 30 September 2013.

As disclosed in the announcement of the Company regarding the Disposal dated 1 November 2013, it was expected that the loss on the Disposal was amounted to approximately HK\$213.6 million (the “**Preliminary Loss**”) would be recorded. Nevertheless, based on the unaudited pro forma financial information of the Remaining Group in Appendix II to this circular, expected gain on the Disposal (the “**Gain**”) of approximately HK\$601.3 million would be recognized instead if the Disposal has been completed on 30 September 2013. The difference is mainly due to:

- (i) the Preliminary Loss is calculated with reference to the financial position of the Group as at 31 March 2013 and adjusted for the preliminary estimated loss arising from changes in fair value less costs to sell of biological assets based on the preliminary valuation of the biological assets as at 30 September 2013, whereas the Gain is calculated with reference to the latest published financial position of the Group as at 30 September 2013, which has already incorporated the effects on the loss arising from changes in fair value less costs to sell of biological assets based on the final valuation of the biological assets as at 30 September 2013; and
- (ii) the decrease in Sales Loan from HK\$1,373.0 million as of 31 March 2013 to HK\$1,372.0 million as of 30 September 2013.

The actual gain or loss from the Disposal will be calculated on the basis of the relevant figures as at the Completion Date and subject to audit and therefore would be different from the aforementioned amount.

Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix II to this circular, which illustrates the effect of the Disposal on the result of the Remaining Group, on the basis of the assumptions as stated in Appendix II, the unaudited pro-forma consolidated results of the Remaining Group for the year ended 31 March 2013 would have been changed from net profit for the year of HK\$155.6 million to a net loss for the year of HK\$515.5 million. This is mainly attributable to the loss on disposal of the Disposed Group as if the Disposal had taken place on 1 April 2012 of

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HK\$575.3 million. Moreover, the unaudited pro-forma consolidated total comprehensive income for the year of the Remaining Group for the year ended 31 March 2013 would have been changed from a positive comprehensive income of HK\$194.5 million to a negative comprehensive income balance of HK\$1,300.2 million. This is mainly attributable to the loss on disposal of the Disposed Group as mentioned above and also the reclassification adjustment of release of exchange reserve on the disposal of interests in overseas subsidiaries (the operations of the Disposed Group which are located in the PRC) as if the Disposal had taken place on 1 April 2012 amounted to HK\$809.2 million. Please refer to the Appendix II to this circular for the unaudited pro forma financial information of the Remaining Group. As a number of assumptions have been made in the preparation of the unaudited pro forma financial information of the Remaining Group, the financial effects of the Disposal as elaborated above may not give the picture of the actual financial effects of the Disposal on the Group.

POST-DISPOSAL AUDITING ARRANGEMENT WITH THE DISPOSED GROUP

For the purpose of the preparation of the audited financial information and statements of the Company for the year ending 31 March 2014, the Purchaser had executed a deed of undertaking on 18 December 2013, pursuant to which, the Purchaser has undertaken to the Company that it will provide the Company's auditors with access to its relevant records of the Disposed Group for the purpose of the auditors' review and preparation of the audited financial information and statements of the Company for the year ending 31 March 2014 after the completion of the Disposal. Shall the Disposal is only completed after 31 March 2014 for whatever reason, the Purchaser's undertaking shall be extended to the effect that the Purchaser shall provide the Company's auditors with access to its relevant records of the Disposed Group for the purpose of the auditors' review and preparation of the audited financial information and statements of the Company for the year ending 31 March 2015.

USE OF PROCEEDS

The total sum of the Consideration is HK\$400 million. The Directors expect that the net proceeds from the Disposal will be approximately HK\$395.4 million (after deducting all relevant fees and expenses), which will be used for (i) investing in other potential property development and investment projects and (ii) general working capital of the Group.

As at 30 September 2013, the Group recorded unaudited total assets of approximately HK\$5,876.3 million, including cash and cash equivalents of approximately HK\$7.9 million. As if Completion had been taken place on 30 September 2013, it is estimated that the Remaining Group would have total assets amounting to approximately HK\$5,103.7 million immediately upon Completion, among which the cash and cash equivalents retained by the Remaining Group immediately upon Completion is estimated to be approximately HK\$402.0 million. The percentage of cash to total assets would then be approximately 7.9% immediately upon Completion.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the

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notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Company's assets will not consist wholly or substantially of cash immediately upon Completion, which includes assets retained under the property investment and development business segment, the Directors are of the view that, immediately after the Disposal, the Company will not be a "cash company" as described under Rule 14.82 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement, the Supplemental Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and the Purchaser's Guarantor, which is the ultimate beneficial owner of the Purchaser, are Independent Third Parties, and hence no Shareholder shall be required to abstain from voting at the SGM.

Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed "Conditions precedent" in this circular, including the approval of the Agreement, the Supplemental Agreement and the transactions contemplated thereunder by Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

SGM

The SGM will be held at 11:00 a.m. on Tuesday, 28 January 2014 at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong, for the purpose of considering, and if thought fit, approving the Agreement, the Supplemental Agreement and the transactions contemplated thereunder. The notice convening the SGM is set out on pages S-1 to S-2 of this circular and a form of proxy for use at the SGM is also enclosed with this circular.

To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting.

The completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person if you so wish and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the SGM will therefore demand a poll for every resolution put to the vote of the SGM pursuant to the bye-laws of the Company.

To the best of knowledge of the Directors, no Shareholder has a material interest in the transactions contemplated under the Agreement and the Supplemental Agreement. Therefore, no Shareholder will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Disposal.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Board believes that the Agreement, the Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable and all in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
China Sandi Holdings Limited
Chi Chi Hung Kenneth
Executive Director and Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 September 2013 has been disclosed on pages 5 to 37 of the interim report of the Company for the six months ended 30 September 2013; (ii) for the year ended 31 March 2013 has been disclosed on pages 34 to 120 of the annual report of the Company for the year ended 31 March 2013; (iii) for the year ended 31 March 2012 has been disclosed on pages 32 to 112 of the annual report of the Company for the year ended 31 March 2012; and (iv) for the year ended 31 March 2011 has been disclosed on pages 30 to 92 of the annual report of the Company for the year ended 31 March 2011. All the above announcement and reports of the Company have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chinasandi.com.hk/>).

2. INDEBTEDNESS

As at the close of business on 30 November 2013, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$787,492,000, which were secured by a subsidiary's investment property with carrying value of approximately HK\$4,401,812,000. Moreover, among these bank borrowings, there was a bank loan of approximately HK\$183,197,000 which has been personally guaranteed by Mr. Guo Jiadi, the Company's substantial Shareholder (as defined under the Listing Rules). The Group had also unsecured advance of approximately HK\$9,907,000 from a company controlled by Mr. Guo Jiadi. Besides, the Group had outstanding borrowing from a third party of approximately HK\$61,676,000 which was guaranteed by Mr. Guo Jiadi and a company controlled by him. In addition, the Group had zero coupon convertible notes in the principal amount of HK\$461,676,000, which can be converted into Shares at an initial conversion price of HK\$3 per conversion share (subject to adjustments) at any time during the period commencing from the date of issuance of the convertible notes.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 November 2013, the Group did not have 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.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the substantial increase in the loss attributable to the owners of the Company for the six months ended 30 September 2013 compared to that of a gain recorded for the previous year as a result of (i) the loss arising from the changes in the fair value less costs to sell of biological assets and (ii) the fair value loss arising from the financial assets at fair value through profit and loss (details of which was disclosed in the interim result announcement of the Company dated 22 November 2013 and interim report of the Company for the six months ended 30 September 2013), the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, the date on which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account of the financial resources available to the Group including internally generated funds and the available banking facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon the Completion of the Disposal, the Remaining Group will be principally engaged in holding of properties for investment and rental purpose and property development and shall no longer engage in any tree plantation and management, manufacturing and distribution of forestry products and biomass energy products business.

Prospects

Upon Completion, the Remaining Group will position the property investment and development business as its core business.

Currently, the property investment business is mainly operated by Fujian Sinco, which is a wholly owned indirect subsidiary of the Company. Fujian Sinco is engaged in development, operation and management of a home improvement plaza in Fuzhou, Fujian Province, the PRC (the “**Fuzhou Plaza**”). In addition, the Group commences its property development business by way of establishment a joint venture partner to develop a property development project in Xi'an, Shaanxi Province, the PRC in the second half of 2013.

According to the China Real Estate Investment Handbook 2013 issued by a reputable accounting firm, the rental yields and selling prices for retail properties kept growing over 2011 and for the first three quarters of 2012 according to the data released by a large commercial real estate services firm. Taking into consideration of the above, the Directors are optimistic to the development of the commercial property market of the PRC in the long run.

The Directors also consider that by way of further development of its existing commercial property projects, the leased properties of the Remaining Group will be able to generate stable rental income to the Remaining Group for financing the future capital requirements of its property development projects. As such, the Directors expect that the property investment and development business will bring long term benefit and generate additional income to the Remaining Group in the future.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31 MARCH 2011, 2012 AND 2013 AND FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

For the year ended 31 March 2011

The business of ecological forestry operation was identified as the single reportable operating segment for the Group during the year ended 31 March 2011. The business of the Remaining Group, namely the property investment business, was not acquired during the year ended 31 March 2011.

For the year ended 31 March 2012

Business review

The Directors had identified the property business which provides an invaluable opportunity for the Remaining Group to diversify its business and participate in the properties' related business in the PRC, in order to broaden its asset and earning base. Hence, on 15 February 2012, the Remaining Group completed to acquire the entire shareholdings of Great Peace Global Group Limited, a company incorporated in the BVI and the entire shareholdings of Grandbiz Holdings Limited, a company incorporated in the BVI. These two companies in turn held in aggregate the entire equity interest in Fujian Sinco. Fujian Sinco develops, operates and manages a home improvement shopping mall in Fuzhou City, Fujian Province, the PRC i.e. the Fuzhou Plaza.

Operating results and financial review

The Remaining Group recorded rental income of approximately HK\$3.1 million and property management and related fee income of approximately HK\$14.4 million during the year (from 15 February 2012 to 31 March 2012). The Fuzhou Plaza was fully leased out as at 31 March 2012.

Because the acquisition for the property investment business was completed by the Remaining Group on 15 February 2012, there were only approximately HK\$17.5 million revenue generated from the property investment segment in 2012 while no revenue was generated from this property investment segment for the year ended 31 March 2011. Moreover, this segment also recorded a segment profit of approximately HK\$7.9 million in 2012 while there was no profit or loss from this segment in 2011.

Liquidity, financial resources and capital structure

As at 31 March 2012, the Remaining Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, would be amounted to approximately a total of HK\$6.5 million. The Remaining Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Remaining Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose. As at 31 March 2012, the Remaining Group

had other borrowings of approximately HK\$876.1 million. Therefore, the Remaining Group's gearing ratio was 41.8% as at 31 March 2012, measured on the basis of total borrowings as a percentage of total shareholders' funds of the Remaining Group.

As at 31 March 2012, the Remaining Group's net current assets amounted to approximately HK\$1.7 million. The Remaining Group's current ratio as at 31 March 2012, being the percentage of its current assets of the Remaining Group in its current liabilities of the Remaining Group, amounted to 101.7%.

As at 31 March 2012, the share capital of the Company was consisted of 687,052,446 ordinary shares of HK\$0.01 each and 401,666,666 convertible preference shares of HK\$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company had issued convertible notes as alternative financing instruments.

Charge on the Remaining Group's assets

As at 31 March 2012, investment property in a subsidiary of the Remaining Group with respective fair value of approximately HK\$3,554.5 million were pledged to secure a bank loan for that subsidiary in the Remaining Group.

Capital commitments

As at 31 March 2012, there was no capital commitments for the Remaining Group.

Treasury policy

In general, the Remaining Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose. The Remaining Group kept most of its excessive funding in the PRC so as to enjoy the benefit of the continued appreciation of Renminbi.

Contingent liabilities

As at 31 March 2012, the Remaining Group did not have any material contingent liabilities.

Significant investment, material acquisition and disposal

On 15 February 2012, the Remaining Group completed to acquire Fujian Sinco, which is principally engaged in the business of developing, operating and managing the Fuzhou Plaza. Save to the acquisition of Fujian Sinco, there was no other significant investment, material acquisition and disposal during the year ended 31 March 2012.

Exposure to fluctuation in exchange rate

The majority of the Remaining Group's transactions and borrowings were denominated in Hong Kong dollars and Renminbi. Therefore, the Remaining Group's exposure to exchange rate fluctuation was relatively insignificant. In general, the Remaining Group mainly used its Renminbi income receipt for operating expenditure in the PRC and does not use any financial instruments for hedging purpose.

Employees

As at 31 March 2012, the Remaining Group employed a total of approximately 25 employees with total remuneration of approximately HK\$2.0 million of which 7 were employed in Hong Kong. In addition to the competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance were also offered. On-going training sessions were also conducted to enhance the competitiveness of the Remaining Group's human assets. The Company also maintained a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Remaining Group.

For the year ended 31 March 2013*Business review*

It was the first full year for the Remaining Group to record the trading performance of its property investment business. The Fuzhou Plaza continued to bring positive return and steady rental income to the Remaining Group.

Operating results and financial review

During the year ended 31 March 2013, there were approximately totaling HK\$118.7 million revenue generated from the property investment segment, compared with HK\$17.5 million revenue during the year ended 31 March 2012. The segment profit for the year ended 31 March 2013 amounted to approximately HK\$66.2 million while it was approximately HK\$7.9 million during the year ended 31 March 2012. The significant increase in revenue and segment profit was because full year results have been consolidated in the year 2013 while there was only one and a half month results being consolidated in the year 2012 upon the completion to acquire the property investment business in February 2012.

The Fuzhou Plaza had an occupancy rate of approximately 81% which represent a decrease in the occupancy rate as compared to fully occupied as at 31 March 2012. The decrease in occupancy rate was due to the persistent fiscal and monetary tightening measures implemented by the government of the PRC, and also due to the continuous competitions from other shopping malls and new plaza, which posted a negative impact to the occupancy rate. Nevertheless, the Directors were pleased to report that the property business continued to contribute profit to the Remaining Group for the year ended 31 March 2013.

Liquidity, financial resources and capital structure

As at 31 March 2013, the Remaining Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, would be amounted to approximately a total of HK\$90.7 million. The Remaining Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Remaining Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose. As at 31 March 2013, the Remaining Group had bank borrowings and other borrowings approximately amounted to HK\$734.9 million and HK\$294.5 million respectively, which were fully borrowed at fixed interest rates. Therefore, the Remaining Group's gearing ratio was 47.2% as at 31 March 2013, measured on the basis of total borrowings as a percentage of total shareholders' funds of the Remaining Group.

As at 31 March 2013, the Remaining Group's net current assets amounted to approximately HK\$112.4 million. The Remaining Group's current ratio, being the percentage of its current assets of the Remaining Group in its current liabilities of the Remaining Group, amounted to 177.0%.

As at 31 March 2013, the share capital of the Company was consisted of 687,052,446 ordinary shares of HK\$0.01 each and 401,666,666 convertible preference shares of HK\$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company had issued convertible notes as alternative financing instruments.

Charge on the Remaining Group's assets

As at 31 March 2013, investment property in a subsidiary of the Remaining Group with respective fair value of approximately HK\$3,695.3 million were pledged to secure a bank loan for that subsidiary in the Remaining Group.

Capital commitments

As at 31 March 2013, capital commitments in respect of leasehold improvement for the Remaining Group amounted to approximately HK\$0.4 million.

Treasury policy

In general, the Remaining Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose. The Remaining Group kept most of its excessive funding in the PRC so as to enjoy the benefit of the continued appreciation of Renminbi.

Contingent liabilities

As at 31 March 2013, the Remaining Group did not have any material contingent liabilities.

Significant investment, material acquisition and disposal

There was no other significant investment, material acquisition and disposal for the Remaining Group during the year ended 31 March 2013.

Exposure to fluctuation in exchange rate

The majority of the Remaining Group's transactions and borrowings were denominated in Hong Kong dollars and Renminbi. Therefore, the Remaining Group's exposure to exchange rate fluctuation was relatively insignificant. In general, the Remaining Group mainly used its Renminbi income receipt for operating expenditure in the PRC and does not use any financial instruments for hedging purpose.

Employees

As at 31 March 2013, the Remaining Group employed a total of approximately 31 employees with total remuneration of approximately HK\$5.2 million of which 6 were employed in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance were also offered. On-going training sessions were also conducted to enhance the competitiveness of the Remaining Group's human assets. The Company also maintained a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Remaining Group.

For the six months period ended 30 September 2013*Business review*

The Remaining Group was optimistic to the commercial property market of mainland China in the long run.

Apart from the property investment business which is currently held by Fujian Sinco, the Remaining Group has identified an opportunity to penetrate into the property development business.

On 7 August 2013, Fujian Sinco entered into a joint venture agreement with a company controlled by a substantial shareholder of the Company for the establishment of a PRC entity for engaging in investment, development, sale, lease, management of properties and other ancillary services in the PRC, including bidding for a parcel of land in Xi'an, Shaanxi Province, the PRC for property development. The aforesaid transaction has been completed and the Group started to involve in property development business. The Board considers that it is beneficial for the Remaining Group to dispose of the Disposed Group and focus to develop its property development and investment business, which generates stable income to the Remaining Group with growth potential.

It is the first time for the Remaining Group to be able to commence its property development business through the signing of the joint venture agreement dated 7 August 2013 with a company controlled by a major shareholder of the Company, i.e., Fuzhou Gaojia Real Estate Development Co., Ltd. (福州高佳房地產發展有限公司) (“**Fuzhou Gaojia**”). In addition, the Remaining Group, through Fujian Sinco, is able to capitalize on the experience and expertise of the major shareholder and to participate in the property development business in Xi'an and to grasp any other property development opportunities in the future, if any.

Operating results and financial review

During the six months period ended 30 September 2013, there was approximately totaling HK\$64.4 million revenue generated from the property investment segment, compared with HK\$71.2 million revenue generated during the six months period ended 30 September 2012. The decrease in revenue is due to the persistent fiscal and monetary tightening measures implemented by the PRC government and the continuous competitions from other shopping malls and new plaza.

The segment profit for the six months period ended 30 September 2013 amounted to HK\$605.7 million while it was HK\$9.7 million during the six months period ended 30 September 2012. The significant increase in segment profit is due to the increase in fair value of an investment property recognized during the six months period ended 30 September 2013.

Through the setting up of the PRC joint venture together with a major shareholder of the Company, the Remaining Group started to be involved in the property development business thereafter. No revenue from the property development business was recorded during the period.

Liquidity, financial resources and capital structure

As at 30 September 2013, the Remaining Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, would be amounted to approximately a total of HK\$7.9 million. The Remaining Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Remaining Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose. As at 30 September 2013, the Remaining Group had bank borrowings and other borrowings approximately amounted to HK\$739.5 million and HK\$373.8 million respectively which were fully borrowed at fixed interest rates. Therefore, the Remaining Group's gearing ratio was 42.0% as at 30 September 2013, measured on the basis of total borrowings as a percentage of total shareholders' funds of the Remaining Group.

The Remaining Group's currently available liquidity resources are sufficient to meet its capital and operating commitments. As at 30 September 2013, the Remaining Group's net current assets amounted to approximately HK\$7.2 million. The Remaining Group's current ratio, being the percentage of its current assets of the Remaining Group in its current liabilities of the Remaining Group, amounted to 104.5%.

As at 30 September 2013, the share capital of the Company was consisted of 687,052,446 ordinary shares of HK\$0.01 each and 401,666,666 convertible preference shares of HK\$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company had issued convertible notes as alternative financing instruments.

Charge on the Remaining Group's assets

As at 30 September 2013, investment property in a subsidiary of the Remaining Group with respective fair value of approximately HK\$4,384.0 million were pledged to secure a bank loan for that subsidiary in the Remaining Group.

Capital commitments

As at 30 September 2013, capital commitments in respect of leasehold improvement for the Remaining Group amounted to approximately HK\$0.4 million.

Treasury policy

In general, the Remaining Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose. The Remaining Group kept all its funding in the PRC so as to enjoy the benefit of the continued appreciation of Renminbi.

Contingent liabilities

As at 30 September 2013, the Remaining Group did not have any material contingent liabilities.

Significant investment, material acquisition and disposal

On 7 August 2013, the Remaining Group, through Fujian Sinco, entered into a joint venture agreement with Fuzhou Gaojia (i.e. the JV Agreement) for the establishment of a PRC entity for engaging in investment, development, sale, lease, management of properties and other ancillary services in the PRC, including bidding for a parcel of land in Xi'an, Shaanxi Province, the PRC for property development. Details of the transactions contemplated under the JV Agreement are disclosed in the announcement dated 7 August 2013 and the circular of the Company dated 3 September 2013. Save to the transactions contemplated under the JV Agreement, there was no other significant investment, material acquisition and disposal for the Remaining Group during the six months ended 30 September 2013.

Exposure to fluctuation in exchange rate

The majority of the Remaining Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Remaining Group's exposure to exchange rate fluctuation was relatively insignificant. In general, the Remaining Group mainly used its Renminbi income receipt for operating expenditure in the PRC and does not use any financial instruments for hedging purpose.

Employees

As at 30 September 2013, the Remaining Group employed a total of approximately 33 employees with total remuneration of approximately HK\$2.9 million of which 6 were employed in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance were also offered. On-going training sessions were also conducted to enhance the competitiveness of the Remaining Group's human assets. The Company also maintained a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Remaining Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**Introduction**

The unaudited pro forma financial information of the Remaining Group (the “**Unaudited Pro Forma Financial Information**”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal was completed on 30 September 2013; and (b) the financial performance and cash flows of the Remaining Group for the year ended 31 March 2013 as if the Disposal had taken place on 1 April 2012. This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 September 2013 or at any future date or the financial performance and cash flows of the Remaining Group for the year ended 31 March 2013 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the unaudited interim financial information of the Group for the six months ended 30 September 2013 as set out in the interim report of the Company for the six months ended 30 September 2013 (“**2013 Interim Report**”), the audited financial statements of the Group for the year ended 31 March 2013 as set out in the annual report of the Company for the year ended 31 March 2013 (“**2013 Annual Report**”) and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2013 extracted from the unaudited interim financial information of the Group for the six months ended 30 September 2013 as set out in the 2013 Interim Report and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2013 as set out in the 2013 Annual Report of the Company, after making pro forma adjustments relating to the Disposal as described in the notes that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) factually supportable; and (iii) considered to be integral to the Disposal.

Unaudited Pro Forma Consolidated Statement of Financial Position

	Unaudited consolidated statement of financial position of the Group as at 30 September 2013 HK\$'000 Note 1	Pro Forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2013 HK\$'000
		HK\$'000 Note 2	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000
Non-current assets					
Investment property	4,383,993				4,383,993
Property, plant and equipment	6,235		684		6,919
Available-for-sale investments	6,256				6,256
Derivative financial instrument	6,278				6,278
Deposit for establishment of a subsidiary	139,376				139,376
	<u>4,542,138</u>				<u>4,542,822</u>
Current assets					
Trade receivables	5,164				5,164
Other receivables, deposits and prepayments	4,816		31		4,847
Investments held for trading	148,454				148,454
Amount due from a related company	494				494
Cash and cash equivalents	7,890		(935)	395,000	401,955
	166,818				560,914
Assets of a disposal group classified as held for sale	<u>1,167,315</u>	(1,167,315)			<u>—</u>
	1,334,133				560,914
Current liabilities					
Trade payables	10,787				10,787
Other payables and accruals	96,693			(400)	96,293
Bank borrowings	38,012				38,012
Amounts due to related parties	10,506		8,337		18,843
Amount due to ultimate holding company	—	(1,371,968)		1,371,968	—
Tax payable	<u>3,579</u>				<u>3,579</u>
	159,577				167,514
Liabilities of a disposal group classified as held for sale	<u>513,735</u>	(513,735)			<u>—</u>
	<u>673,312</u>				<u>167,514</u>
Net current assets	<u>660,821</u>				<u>393,400</u>
Total assets less current liabilities	<u>5,202,959</u>				<u>4,936,222</u>

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	Unaudited consolidated statement of financial position of the Group as at 30 September 2013 <i>HK\$'000</i> <i>Note 1</i>	Pro Forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2013 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> <i>Note 4</i>	<i>HK\$'000</i>
Non-current liabilities					
Convertible notes payable	312,397				312,397
Bank and other borrowings	762,904				762,904
Deferred taxation	820,448				820,448
	<u>1,895,749</u>				<u>1,895,749</u>
Net assets	<u>3,307,210</u>				<u>3,040,473</u>
Capital and reserves attributable to owners of the Company					
Share capital	6,871				6,871
Convertible preference shares	283,858				283,858
Reserves	2,148,418			601,326	2,749,744
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	867,997			(867,997)	—
Equity attributable to owners of the Company	<u>3,307,144</u>				<u>3,040,473</u>
Non-controlling interests	<u>66</u>			(66)	<u>—</u>
	<u>3,307,210</u>				<u>3,040,473</u>

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2013 HK\$'000 Note 1	Pro Forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 March 2013 HK\$'000
		HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	
Revenue	118,674	(16)			118,658
Gain arising from changes in fair value less costs to sell of biological assets	166,196	(166,196)			—
Fair value loss on derivative financial instrument	(20,754)				(20,754)
Other income	9,173	(8,367)			806
Other net gains	82,906	(8,777)			74,129
Fair value gain on an investment property	51,953				51,953
Cost of inventories and forestry products sold	(21)	21			—
Staff costs	(13,660)	6,006			(7,654)
Depreciation of property, plant and equipment	(9,089)	7,473	(74)		(1,690)
Write-off of biological assets	(25,406)	25,406			—
Write-off of prepaid lease payments	(3,098)	3,098			—
Release of prepaid lease payments	(32,648)	32,648			—
Loss on disposal of subsidiaries	—			(575,309)	(575,309)
Other operating expenses	(50,188)	10,239	(252)		(40,201)
Finance costs	(100,191)	2,949			(97,242)
Profit/(loss) before income tax	173,847				(497,304)
Income tax expense	(18,233)				(18,233)
Profit/(loss) for the year	155,614				(515,537)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax:					
Exchange difference on translating foreign operations	33,174	(14,385)			18,789
Reclassification adjustment of release of exchange reserve on disposal of interests in overseas subsidiaries	—			(809,209)	(809,209)
Reversal of impairment loss on available-for-sale financial assets	5,741				5,741
Other comprehensive income for the year, after tax	38,915				(784,679)
Total comprehensive income for the year	<u>194,529</u>				<u>(1,300,216)</u>

Unaudited Pro Forma Consolidated Statement of Cash Flows

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2013	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013
	HK\$'000 Note 1	HK\$'000 Note 8	HK\$'000 Note 9	HK\$'000 Note 10	HK\$'000
Cash flows from operating activities					
Profit/(loss) before income tax	173,847	(95,516)	(326)	(575,309)	(497,304)
Adjustments for:					
Bank interest income	(909)	100			(809)
Dividend income from listed investments	(2)				(2)
Finance costs	100,191	(2,949)			97,242
Depreciation of property, plant and equipment	9,089	(7,473)	74		1,690
Net realised gain on disposal of financial assets at fair value through profit or loss	(12,820)				(12,820)
Fair value gain on financial assets at fair value through profit or loss	(63,489)				(63,489)
Fair value loss on derivative financial instrument	20,754				20,754
Change in fair value on investment property	(51,953)				(51,953)
Release of prepaid lease payments	32,648	(32,648)			—
Gain on disposal of forest farms	(6,745)	6,745			—
Write-off of biological assets	25,406	(25,406)			—
Write-off of prepaid lease payments	3,098	(3,098)			—
Gain on changes in fair value less costs to sell of biological assets	(166,196)	166,196			—
Gain on disposal of property, plant and equipment	(305)	305			—
Loss on disposal of subsidiaries	—	—		575,309	575,309
Effect of foreign exchange differences	(2,455)	3,505			1,050

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2013	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 8</i>	<i>Note 9</i>	<i>Note 10</i>	
Operating profit before working capital changes	60,159				69,668
Increase in inventories	(1,865)	1,865			—
Decrease in trade receivables	58	6			64
Decrease in other receivables, deposits and prepayments	1,612	(1,229)	34		417
Decrease in financial assets at fair value through profit or loss	2,163				2,163
Decrease in amounts due from related parties	6,033				6,033
Decrease in trade payables	(10,929)	1,893			(9,036)
Increase/(decrease) in other payables and accruals	20,009	(31,301)	(1,429)		(12,721)
Increase in amounts due to related parties	<u>2,618</u>		2,603		<u>5,221</u>
Cash generated from operation	79,858				61,809
PRC income tax paid	<u>(2,705)</u>				<u>(2,705)</u>
Net cash generated from operating activities	<u>77,153</u>				<u>59,104</u>

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>Note 8</i>	<i>HK\$'000</i> <i>Note 9</i>	<i>HK\$'000</i> <i>Note 10</i>	
Cash flow from investing activities					
Interest received	909	(100)			809
Dividend income received from listed investments	2				2
Increase of biological assets due to plantation	(9,743)	9,743			—
Purchases of property, plant and equipment	(3,654)	2,471	(790)		(1,973)
Payments to construction of investment properties	(59,062)				(59,062)
Settlement of payable of acquisition of biological assets (including prepaid lease payments)	(1,771)	1,771			—
Increase in construction in progress	(2,260)	2,260			—
Proceeds from disposal of property, plant and equipment	852	(852)			—
Proceeds from disposal of forest farms	7,879	(7,879)			—
Net cash inflow from disposal of subsidiaries	—			377,117	377,117
Net cash (used in)/generated from investing activities	<u>(66,848)</u>				<u>316,893</u>
Cash flow from financing activities					
Proceeds from new bank borrowings	783,273				783,273
Repayment of bank borrowings	(22,203)				(22,203)
Repayment of loans from related parties	(617,784)				(617,784)
Interest paid	<u>(57,383)</u>				<u>(57,383)</u>
Net cash generated from financing activities	<u>85,903</u>				<u>85,903</u>

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>Note 8</i>	<i>HK\$'000</i> <i>Note 9</i>	<i>HK\$'000</i> <i>Note 10</i>	
Net increase in cash and cash equivalents	96,208				461,900
Cash and cash equivalents at beginning of the year	24,414	(18,316)	33		6,131
Effect of foreign exchange rate changes	<u>123</u>	(120)			<u>3</u>
Cash and cash equivalents at end of year	<u><u>120,745</u></u>				<u><u>468,034</u></u>
Analysis of balances of cash and cash equivalents at end of year					
Bank and cash balances	<u><u>120,745</u></u>	(30,027)	199	377,117	<u><u>468,034</u></u>

Notes to the unaudited pro forma financial information

1. The unaudited consolidated statement of financial position of the Group as at 30 September 2013 is extracted from the unaudited interim financial information of the Group for the six months ended 30 September 2013 as set out in the 2013 Interim Report, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 are extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2013 as set out in the 2013 Annual Report of the Company.
2. These adjustments represent the elimination of assets and liabilities of the Disposed Group as at 30 September 2013, assuming the Disposal had taken place on 30 September 2013. The assets and liabilities of the Disposed Group as at 30 September 2013 are extracted from the unaudited financial information of the Disposed Group at 30 September 2013 set out in Appendix III to the Circular, after taking into account of the loss on measurement of the Disposed Group at fair value less costs to sell that were allocated to scoped non-current assets of the Disposed Group and consolidation entries (elimination of intragroup balances).
3. These adjustments represent the transfer of the assets and liabilities of World Power and Shenyu Timber (excluding the intragroup balances) as at 30 September 2013 from the Disposed Group to the Remaining Group, assuming the Reorganisation and the Disposal had taken place on 30 September 2013.
4. These adjustments represent (i) the consideration receivable of HK\$395,000,000 by the Group from the Disposal; (ii) reversal of deposit received of HK\$5,000,000 from other payables and accruals; (iii) estimated expenses directly attributable to the Disposal of HK\$4,600,000 recorded in other payables and accruals; and (iv) the resulting estimated gain arising from the Disposal as if the Disposal had taken place on 30 September 2013, based on the Consideration of HK\$400,000,000. The calculation of the estimated gain on the Disposal to be recognised in profit or loss is as follows:

	<i>HK\$'000</i>
Total cash consideration	400,000
Net liabilities disposed of by the Disposed Group at 30 September 2013	718,388
Non-controlling interests	66
Sale Loan as at 30 September 2013	(1,371,968)
Total net liabilities of World Power and Shenyu Timber as at 30 September 2013 (excluding the intragroup balances) (<i>Note 3</i>)	<u>(8,557)</u>
Loss on Disposal before related expenses	(262,071)
Estimated expenses directly attributable to the Disposal	<u>(4,600)</u>
Loss on Disposal after related expenses	(266,671)
Release of translation reserve of the Disposed Group as at 30 September 2013 upon the Disposal	<u>867,997</u>
Gain on disposal after release of reserves of the Disposed Group recognised in profit or loss	601,326
Reclassification adjustments relating to release of reserves of the Disposed Group upon Disposal recognised in other comprehensive income	<u>(867,997)</u>
Loss on Disposal recognised in total comprehensive income	<u>(266,671)</u>

The net liabilities disposed of by the Disposed Group represents the net assets of the Disposed Group of HK\$187,679,000 as at 30 September 2013 as extracted from the unaudited financial information of the Disposed Group at 30 September 2013 set out in Appendix III to the Circular minus the loss on measurement of the Disposed Group at fair value less costs to sell of HK\$906,067,000 recognised by the Group as at 30 September 2013.

The final gain or loss on the Disposal may be different from the amount described above and would be subject to the assets and liabilities of the Disposed Group on the date of Disposal.

5. These adjustments represent the exclusion of the results and reserves of the Disposed Group for the year ended 31 March 2013, which are extracted from the unaudited financial information of the Disposed Group for the year ended 31 March 2013 set out in Appendix III to the Circular assuming the Disposal had taken place on 1 April 2012. The unaudited pro forma consolidated statement of comprehensive income of the Remaining Group has not taken into account the loss on measurement of the Disposed Group at fair value less costs to sell as a result of the measurement fall under HKFRS 5.
6. These adjustments represent the transfer of the results of World Power and Shenyu Timber for the year ended 31 March 2013 from the Disposed Group to the Remaining Group, assuming the Reorganisation and the Disposal had taken place on 1 April 2012.
7. These adjustments reflect the estimated loss arising from the Disposal as if the Disposal had taken place on 1 April 2012 based on the Consideration of HK\$400,000,000. The estimated loss arising from the Disposal has not taken into account the loss on measurement of the Disposed Group at fair value less costs to sell as a result of the measurement fall under HKFRS 5. The calculation of the estimated loss on the Disposal is as follows:

	<i>HK\$'000</i>
Total cash consideration	400,000
Net assets disposed of by the Disposed Group as at 31 March 2012	(407,124)
Non-controlling interests	66
Sale Loan as at 31 March 2012	(1,372,966)
Total net assets of World Power and Shenyu Timber as at 31 March 2012 (excluding the intragroup balances)	<u>106</u>
Loss on Disposal before related expenses	(1,379,918)
Estimated expenses directly attributable to the Disposal	<u>(4,600)</u>
Loss on Disposal after related expenses	(1,384,518)
Release of translation reserve of the Disposed Group as at 1 April 2012 upon the Disposal	<u>809,209</u>
Loss on disposal after release of reserves of the Disposed Group recognised in profit or loss	(575,309)
Reclassification adjustments relating to release of reserves of the Disposed Group upon Disposal recognised in other comprehensive income	<u>(809,209)</u>
Loss on Disposal recognised in total comprehensive income	<u>(1,384,518)</u>

The net assets of the Disposed Group as at 31 March 2012 is extracted from the unaudited financial information of the Disposed Group at 31 March 2012 set out in Appendix III to the Circular.

Total net assets of World Power and Shenyu Timber as at 31 March 2012 represent the transfer of the assets and liabilities of World Power and Shenyu Timber (excluding intragroup balances) as at 31 March 2012 from the Disposed Group to the Remaining Group, assuming the Reorganisation and the Disposal had taken place on 1 April 2012.

8. These adjustments represent the exclusion of the cash flows of the Disposed Group which are extracted from the unaudited financial information of the Disposed Group for the year ended 31 March 2013 set out in Appendix III to the Circular, assuming the Disposal had taken place on 1 April 2012. The unaudited pro forma consolidated statement of cash flows of the Remaining Group has not taken into account the loss on measurement of the Disposed Group at fair value less costs to sell as a result of the measurement fall under HKFRS 5.
9. These adjustments represent the transfer of the cash flows of World Power and Shenyu Timber for the year ended 31 March 2013 from the Disposed Group to the Remaining Group, assuming the Reorganisation and the Disposal had taken place on 1 April 2012.
10. These adjustments represent the net cash inflow amounting to approximately HK\$377,117,000 resulting from the Disposal on 1 April 2012, as if the Disposal had taken place on 1 April 2012, which is calculated by cash consideration for the Disposal of HK\$400,000,000 less bank balances and cash of the Disposed Group on 1 April 2012 amounting to approximately HK\$18,283,000 (excluding bank balances and cash of World Power and Shenyu Timber) and the estimated legal and professional fees of approximately HK\$4,600,000. These adjustments also include the estimated loss of approximately HK\$575,309,000 arising from the Disposal as calculated in Note 7.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

The following is the text of a report from the reporting accountants, BDO Limited, Certified Public Accountants, on the unaudited pro forma financial information of the Remaining Group, for inclusion in this circular.



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10 January 2014

The Board of Directors
China Sandi Holdings Limited
Room 3309, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Sandi Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 September 2013, the pro forma consolidated income statement and the pro forma consolidated statement of comprehensive income for the year ended 31 March 2013, the pro forma consolidated statement of cash flows for the year ended 31 March 2013, and related notes as set out in section headed “Unaudited Pro Forma Financial Information of the Remaining Group” in Appendix II of the circular issued by the Company dated 10 January 2014 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are also described in section headed “Unaudited Pro Forma Financial Information of the Remaining Group” in Appendix II of the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the entire equity interest in Success Standard Investments Limited and its subsidiaries (the “**Disposed Group**”) and the Sale Loan owing by the Disposed Group to the Company to Billion Master Investment Limited (collectively referred to as the “**Disposal**”) on the Group’s financial position as at 30 September 2013 and the Group’s financial performance and cash flows for the year ended 31 March 2013 as if the transaction was completed on 30 September 2013 and had taken place at 1 April 2012 respectively. As part of this process, information about the Group’s financial position has been extracted by the

directors from the Group's unaudited financial statements for the six months ended 30 September 2013, and the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 March 2013, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For 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 entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 September 2013 or 1 April 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the

compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

- a. the pro forma financial information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

Set out below are the financial information of the Disposed Group which comprise the unaudited consolidated statements of financial position of the Disposed Group as at 31 March 2011, 2012 and 2013 and 30 September 2013 (the “**Relevant Periods**”) and the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of the Disposed Group for each of the periods then ended and certain explanatory notes (the “**Unaudited Consolidated Financial Information**”). The Unaudited Consolidated Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Unaudited Consolidated Financial Information of the Disposed Group is not prepared, in all material respects, in accordance with accounting policies used in the preparation of the consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 March 2013 and the unaudited interim report of the Company for the six months ended 30 September 2013, and the basis of preparation set out in note 1 to the Unaudited Consolidated Financial Information of the Disposed Group.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE DISPOSED GROUP

	Year ended 31 March			Six months ended 30 September 2013
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000
Revenue	2,761	6,360	16	—
(Loss)/gain arising from changes in fair values less costs to sell of biological assets	(719,800)	(1,149,363)	166,196	(344,876)
Other income	7,041	3,622	8,367	64
Other net gains and losses	(33,314)	(81,628)	8,777	1,852
Costs of inventories and forestry products sold	(1,626)	(1,320)	(21)	—
Impairment loss on other receivables	(66,154)	(5,230)	—	—
Write-off of biological assets	(279,363)	(89,174)	(25,406)	—
Write-off of prepaid lease payments	(57,741)	(262,482)	(3,098)	—
Write-off of property, plant and equipment	—	(38,319)	—	—
Impairment loss on long term prepayments	(96,547)	—	—	—
Write-off of patent	(13,762)	—	—	—
Amortisation of patent	(928)	—	—	—
Staff costs	(10,095)	(7,970)	(6,006)	(2,881)
Depreciation of property, plant and equipment	(11,892)	(15,209)	(7,473)	(3,450)
Release of prepaid lease payments	(28,469)	(32,467)	(32,648)	(16,507)
Other operating expenses	(19,682)	(13,948)	(10,239)	(5,353)
Finance costs	(9,033)	(13,297)	(2,949)	(2,598)
(Loss)/profit before income tax	(1,338,604)	(1,700,425)	95,516	(373,749)
Income tax credit	171,053	138,057	—	—
(Loss)/profit for the year/period	(1,167,551)	(1,562,368)	95,516	(373,749)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax:				
Exchange differences on translating foreign operations	167,131	79,401	14,385	44,403
	<u>(1,000,420)</u>	<u>(1,482,967)</u>	<u>109,901</u>	<u>(329,346)</u>
(Loss)/profit attributable to:				
Owners of the Company	(1,167,550)	(1,562,368)	95,516	(373,749)
Non-controlling interests	(1)	—	—	—
	<u>(1,167,551)</u>	<u>(1,562,368)</u>	<u>95,516</u>	<u>(373,749)</u>
Total comprehensive income attributable to:				
Owners of the Company	(1,000,419)	(1,482,967)	109,901	(329,346)
Non-controlling interests	(1)	—	—	—
	<u>(1,000,420)</u>	<u>(1,482,967)</u>	<u>109,901</u>	<u>(329,346)</u>

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE DISPOSED GROUP

	As at 31 March			As at 30 September
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Biological assets	2,487,426	1,286,982	1,447,814	1,144,903
Property, plant and equipment	58,161	36,272	31,013	28,868
Construction in progress	39,857	8,236	10,569	11,091
Prepaid lease payments	<u>1,217,950</u>	<u>897,161</u>	<u>842,740</u>	<u>842,729</u>
	<u>3,803,394</u>	<u>2,228,651</u>	<u>2,332,136</u>	<u>2,027,591</u>
Current assets				
Inventories	816	1,203	3,068	3,652
Trade receivables	373	709	715	733
Prepaid lease payments	29,545	18,211	18,211	23,379
Other receivables, deposits and prepayments	13,060	11,025	9,796	9,992
Cash and cash equivalents	<u>68,445</u>	<u>18,316</u>	<u>30,027</u>	<u>8,035</u>
	<u>112,239</u>	<u>49,464</u>	<u>61,817</u>	<u>45,791</u>
Current liabilities				
Trade payables	18,007	18,535	16,642	17,231
Deferred revenue	44,408	58,605	62,183	61,894
Other payables and accruals	167,180	268,063	269,805	275,886
Amount due to ultimate holding company	1,417,762	1,372,966	1,373,009	1,371,968
Tax payables	<u>80,574</u>	<u>82,939</u>	<u>83,629</u>	<u>85,737</u>
	<u>1,727,931</u>	<u>1,801,108</u>	<u>1,805,268</u>	<u>1,812,716</u>
Net current liabilities	<u>(1,615,692)</u>	<u>(1,751,644)</u>	<u>(1,743,451)</u>	<u>(1,766,925)</u>
Total assets less current liabilities	<u>2,187,702</u>	<u>477,007</u>	<u>588,685</u>	<u>260,666</u>

	As at 31 March		As at 30 September	
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities				
Long term payable	162,085	69,883	71,660	72,987
Deferred taxation	<u>135,526</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>297,611</u>	<u>69,883</u>	<u>71,660</u>	<u>72,987</u>
NET ASSETS	<u><u>1,890,091</u></u>	<u><u>407,124</u></u>	<u><u>517,025</u></u>	<u><u>187,679</u></u>
Capital and reserves attributable to the Company's owner				
Share capital	1	1	1	1
Reserves	<u>1,890,024</u>	<u>407,057</u>	<u>516,958</u>	<u>187,612</u>
Equity attributable to owners of the Disposed Company	1,890,025	407,058	516,959	187,613
Non-controlling interests	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>
TOTAL EQUITY	<u><u>1,890,091</u></u>	<u><u>407,124</u></u>	<u><u>517,025</u></u>	<u><u>187,679</u></u>

UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF THE DISPOSED GROUP

	Issued capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Equity attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010	1	4,069	696,397	137,141	562,677	1,490,159	2,890,444	67	2,890,511
Loss for the year	—	—	—	—	—	(1,167,550)	(1,167,550)	(1)	(1,167,551)
Exchange differences arising on translation	—	—	—	—	167,131	—	167,131	—	167,131
Total comprehensive income for the year	—	—	—	—	167,131	(1,167,550)	(1,000,419)	(1)	(1,000,420)
Transfer of reserves	—	—	—	149	—	(149)	—	—	—
At 31 March 2011	1	4,069	696,397	137,290	729,808	322,460	1,890,025	66	1,890,091
Loss for the year	—	—	—	—	—	(1,562,368)	(1,562,368)	—	(1,562,368)
Exchange differences arising on translation	—	—	—	—	79,401	—	79,401	—	79,401
Total comprehensive income for the year	—	—	—	—	79,401	(1,562,368)	(1,482,967)	—	(1,482,967)
At 31 March 2012	1	4,069	696,397	137,290	809,209	(1,239,908)	407,058	66	407,124
Profit for the year	—	—	—	—	—	95,516	95,516	—	95,516
Exchange differences arising on translation	—	—	—	—	14,385	—	14,385	—	14,385
Total comprehensive income for the year	—	—	—	—	14,385	95,516	109,901	—	109,901
At 31 March 2013	1	4,069	696,397	137,290	823,594	(1,144,392)	516,959	66	517,025
Loss for the period	—	—	—	—	—	(373,749)	(373,749)	—	(373,749)
Exchange differences arising on translation	—	—	—	—	44,403	—	44,403	—	44,403
Total comprehensive income for the period	—	—	—	—	44,403	(373,749)	(329,346)	—	(329,346)
At 30 September 2013	1	4,069	696,397	137,290	867,997	(1,518,141)	187,613	66	187,679

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE DISPOSED GROUP

	Year ended 31 March			Six months ended 30 September
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
(Loss)/profit before income tax	(1,338,604)	(1,700,425)	95,516	(373,749)
Adjustments for:				
Depreciation of property, plant and equipment	11,892	15,209	7,473	3,450
Release of prepaid lease payment	28,469	32,467	32,648	16,507
Amortisation of patent	928	—	—	—
Write-off of biological assets	279,363	89,174	25,406	—
Imputed interest income	(1,332)	—	—	—
Impairment loss on long term prepayments	96,547	—	—	—
Write-off of prepaid lease payments	57,741	262,482	3,098	—
Impairment loss on trade and other receivables	67,139	—	—	—
Bank interest income	(142)	(134)	(100)	(64)
Finance costs	9,033	13,297	2,949	2,598
Loss/(gain) on disposal of property, plant and equipment	17,300	2,272	(305)	522
Loss/(gain) arising from changes in fair values less costs to sell of biological assets	719,800	1,149,363	(166,196)	344,876
Loss/(gain) on disposal of forest farms	18,159	82,693	(6,745)	—
Write-off of patent	13,762	—	—	—
Write-off of property, plant and equipment	—	38,319	—	—
Effect of foreign exchange differences	(2,453)	(9,155)	(3,505)	(9,481)

	Year ended 31 March			Six months ended 30 September 2013
	2011	2012	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating loss before working capital changes	(22,398)	(24,438)	(9,761)	(15,341)
Decrease/(increase) in other receivables, deposits and prepayments	401	2,035	1,229	(196)
Increase in inventories	(432)	(387)	(1,865)	(584)
Increase in trade receivables	(52)	(336)	(6)	(18)
Increase/(decrease) in trade payables	768	528	(1,893)	589
Decrease/(increase) in other payables and accruals	<u>(21,859)</u>	<u>24,864</u>	<u>31,258</u>	<u>4,047</u>
Cash (used in)/generated from operations	(43,572)	2,266	18,962	(11,503)
Income taxes paid	<u>(450)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash (used in)/generated from operating activities	<u>(44,022)</u>	<u>2,266</u>	<u>18,962</u>	<u>(11,503)</u>
Cash flows from investing activities				
Purchases of property, plant and equipment	(725)	(1,935)	(2,471)	(1,052)
Proceeds from disposal of property, plant and equipment	147	2,842	852	—
Proceeds from disposal of forest farms	5,347	2,574	7,879	—
Settlement of payable of acquisition of biological assets (including prepaid lease payments)	(7,868)	(2,894)	(1,771)	(1,331)
Increase of biological assets due to plantation	(10,188)	(10,114)	(9,743)	(6,186)
Decrease of biological assets due to harvest	664	1,164	—	—
Increase in construction in progress	(9,112)	(867)	(2,260)	(255)
Interest received	<u>142</u>	<u>134</u>	<u>100</u>	<u>64</u>
Net cash used in investing activities	<u>(21,593)</u>	<u>(9,096)</u>	<u>(7,414)</u>	<u>(8,760)</u>

	Year ended 31 March			Six months ended 30 September 2013
	2011	2012	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from financing activity				
Increase/(decrease) in amount due to ultimate holding company	<u>43,491</u>	<u>(44,796)</u>	<u>43</u>	<u>(1,041)</u>
Net (decrease)/increase in cash and cash equivalents	(22,124)	(51,626)	11,591	(21,304)
Cash and cash equivalents at beginning of year/period	87,232	68,445	18,316	30,027
Effect of exchange rate changes on cash and cash equivalents	<u>3,337</u>	<u>1,497</u>	<u>120</u>	<u>(688)</u>
Cash and cash equivalents at end of year/period	<u><u>68,445</u></u>	<u><u>18,316</u></u>	<u><u>30,027</u></u>	<u><u>8,035</u></u>

NOTE TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The unaudited financial information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the disposal of the Disposed Group.

Other than as explained in the paragraph below, the unaudited financial information of Success Standard Investments Limited (the “**Disposed Company**”) and its subsidiaries (collectively referred to as the “**Disposed Group**”) for the years ended 31 March 2011, 2012 and 2013 and six months ended 30 September 2013 (the “**Relevant Periods**”) has been prepared using the same accounting policies adopted by China Sandi Holdings Limited (the “**Company**”) used in the preparation of the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 September 2013, which conform with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Disposed Company was incorporated on 5 July 2012 which became the holding company of the subsidiaries now comprising the Disposed Group on 5 October 2012 under the reorganisation of the Group. As the reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substances, the unaudited consolidated financial statements of the Disposed Group for the Relevant Periods have been presented as a continuation of the existing group based on merger accounting principle.

The unaudited financial information of the Disposed Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” issued by the HKICPA or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

As at 31 March 2011, 2012 and 2013 and 30 September 2013, the Disposed Group’s current liabilities exceeded its current assets by approximately HK\$1,616 million, HK\$1,752 million, HK\$1,743 million and HK\$1,767 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Disposed Group’s ability to continue as a going concern and therefore, the Disposed Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The ultimate holding company has undertaken to provide continuing financial support, including not to recall the amount due to them until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Disposed Group as a going concern. Accordingly, the unaudited financial information has been prepared on the going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The following is the text of a report prepared for the purpose of incorporation in this circular received from the Valuer in connection with its valuation as at 30 September 2013 of the fair value of 100% equity interest in the Disposed Group.

GREATER CHINA APPRAISAL LIMITED**漢 華 評 值 有 限 公 司**

10 January 2014

Board of Directors

China Sandi Holdings Limited

Units 3309, 33/F

West Tower, Shun Tak Centre

168–200 Connaught Road Central

Sheung Wan, Hong Kong

Board of Directors

Billion Master Investment Limited

TMF (B.V.I.) Limited of Palm Grove House

P.O. Box 438, Road Town, Tortola

British Virgin Islands

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest in Success Standard Investments Limited and its subsidiaries

I. INTRODUCTION

At your request, we were engaged to assist China Sandi Holdings Limited (the “**Company**”) and Billion Master Investment Limited (together refer as the “**Commissioning Parties**”) in the valuation analysis pertaining to the fair value of 100% equity interest (the “**Equity Interest**”) in Success Standard Investments Limited (the “**Disposed Company**”), (together with its subsidiaries refer as the “**Disposed Group**”) as at 30 September 2013 (the “**Valuation Date**”).

It is our understanding that our analysis will be used by the management of the Company solely for transaction purpose. This valuation will form part of the circular (the “**Circular**”) issued by the Company on 10 January 2014. Our work was performed subject to the assumptions, limiting conditions and general service conditions described in this report.

The standard of value is fair value; whilst the premise of value is going concern.

The accompanying report presents the data, assumptions, and methodologies employed in developing our recommended estimates. Our report and analysis are in conformance with the International Valuation Standards (2011 Edition) (the “**Standards**”), issued by The International Valuation Standards Council. The Standards deal with the procedures and reporting requirements to be followed in the preparation of a valuation, analysis or opinion.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

II. PURPOSE OF ENGAGEMENT

As aforementioned, the purpose of this particular engagement is for transaction purpose.

III. SCOPE OF SERVICES

We were engaged by the managements of the Commissioning Parties to assist in their estimate of the fair value of the Equity Interest as at the Valuation Date.

IV. BASIS OF VALUE

We have valued the fair value of 100% Equity Interest on the basis of fair value.

According to the Standards, fair value is “the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”.

V. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner in which it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legally permissible. Premises of value include the following:

- going concern: appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
- orderly liquidation: appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

- forced liquidation: appropriate when time or other constraints do not allow an orderly liquidation;
- assembled group of assets: appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

VI. LEVEL OF VALUE

Valuation is a range concept. Current valuation theory suggests that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

- controlling interest: the value of the controlling interest, usually evaluate the enterprise as a whole;
- as if freely tradable minority interest: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity;
- non-marketable minority interest: the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VII. SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value on the Equity Interest were based on our discussions with the management of the Disposed Group as well as a review of key transaction documents and records, including:

- the summary of findings (the “**Summary**”) from the Experts (defined as below);
- a legal opinion (the “**Legal Opinion**”) regarding the right of the forestry assets from 北京市中企國盛律師事務所 (Zhongqiguosheng Law Firm*) dated 7 January 2014;
- statistics about forest land area and species extracted from the forestry surveys (the “**Forest Surveys**”) provided by the management of the Disposed Group;
- the consolidated financial statement of the Disposed Group as at 30 September 2013;
- 《國家十二五期間年森林採伐限額編制技術規定》(Technique Requirements for Formulating the Annual Quota for Forest Harvesting in the Twelfth Five-Year Plan Period*); and
- 《中華人民共和國森林法》(Forest Law of The People’s Republic of China*)

* For identification purpose only

We have relied on the statistics about the forest areas, by location, species and year of planting (or maturity) as provided by the management of the Disposed Group. The actual stocked area of biological crops, by location, species and maturity, is highly material to their value. It is important that users of this report understand that these statements of crop area have not been verified by us. Further, we have not verified that these crops are owned by the Company.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

VIII. USE OF EXPERT

For this particular engagement, Greater China Appraisal Limited (“GCA”) has engaged independent forestry experts (the “Experts”) to assist GCA in evaluating the forestry assets owned by the Disposed Group. For the biographies of the Experts please refer to Appendix 1.

IX. SITE INSPECTION

Representatives from GCA together with the Experts have performed site inspections in Hunan, Yunnan and Inner Mongolia. In the site inspections, they visited the forests; examined the physical condition of the trees; took sample and visited the local forestry department to obtain data. They also reviewed the map and the plantation information, compared with the ownership documents. GCA did not independently verify the statistics about the forest land area, volume, species and year of planting (or maturity). GCA relied on the statistical information provided in the Forest Surveys to form our opinion.

X. COMPANY OVERVIEW

Success Standard Investments Limited (the “Disposed Company”)

The Disposed Company is incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company. The Disposed Company is an investment holding company. The principal activities of the subsidiaries of the Disposed Company are engaged in tree plantation and management, manufacture and distribution of forestry products.

XI. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation opinion, we have reviewed and analyzed the current national economic condition from where the profits of the Disposed Group are derived, and how the value of the Disposed Group may be impacted.

1. Nominal GDP Growth in China

In the past, the Chinese economy increased at a rapid growth rate, which was about 10% per year. The recent growth of gross domestic product (“GDP”) in the PRC was affected by the global economic downturn and the tightening of China monetary measures initiated by the Chinese government. Nonetheless, the global economy is currently on the way to recovery after the global economic recession triggered by the United States financial tsunami and the European Union’s debt crisis.

Table XI — 1 — China's Real GDP Annual Growth Rate and Inflation from 2009 to 2012

	2009	2010	2011	2012
Real GDP Annual Growth Rate (%)	9.2	10.4	9.3	7.8
Inflation (%)	-0.7	3.3	5.4	2.6

Source: National Bureau of Statistics of China, China Statistical Yearbook 2012

Despite the slowdown of the Chinese economic development, the Chinese economy still continues to be one of the fastest growing regions in the world. According to the National Bureau of Statistics of China, the country recorded an annual GDP of RMB51,932 billion in 2012, representing an annual growth rate of approximately 7.8%.

According to the World Economic Outlook published by International Monetary Fund (“IMF”), China has become the second largest economy in the world after the United States. It is well believed that if China continues to grow quickly, it would soon surpass the US to become the largest economy in the world by 2030.

Table XI — 2 — Worldwide GDP

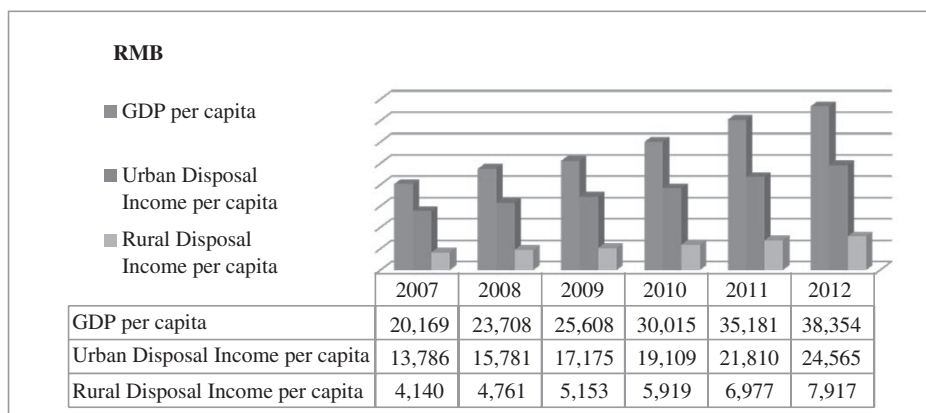
Country		GDP — Billions of the United States Dollar (“USD”)					
		2011A	2012A	2013F	2014F	2015F	2016F
1	United States	15,076	15,685	16,238	17,049	18,012	19,021
2	China	7,322	8,227	9,020	9,952	11,020	12,193
3	Japan	5,897	5,964	5,150	5,285	5,419	5,556
4	Germany	3,607	3,401	3,598	3,661	3,730	3,805
5	France	2,778	2,609	2,739	2,789	2,854	2,929
6	Brazil	2,493	2,396	2,457	2,624	2,800	2,988

Source: World Economic Outlook of April 2013, IMF

Along with the rapid economic growth, disposable income level has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB13,786 in 2007 to RMB24,565 in 2012, representing a CAGR of approximately 12.25%; annual disposable income per capita of rural households has increased from RMB4,140 in 2007 to RMB7,917 in 2012, representing a CAGR of approximately 13.84%.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2007 to 2012:

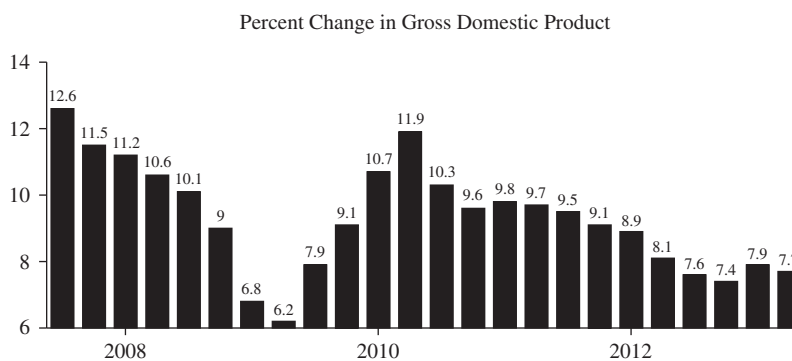
Figure XI — 1 — China's Economic Overview



Source: National Bureau of Statistics of China, China Statistical Yearbook 2012

Despite weak and uncertain global conditions, the Chinese economy is expected to grow at 7.75% this year, as suggested by IMF. The pace of the economy should pick up moderately in the second half of the year, as the recent credit expansion gains traction and in line with a projected mild pick-up in the global economy. The following diagram shows the quarter GDP annual growth rate from 2007 to 2012:

Figure XI — 2 — GDP Annual Growth Rate in China



Source: www.tradingeconomics.com and National Bureau of Statistics of China

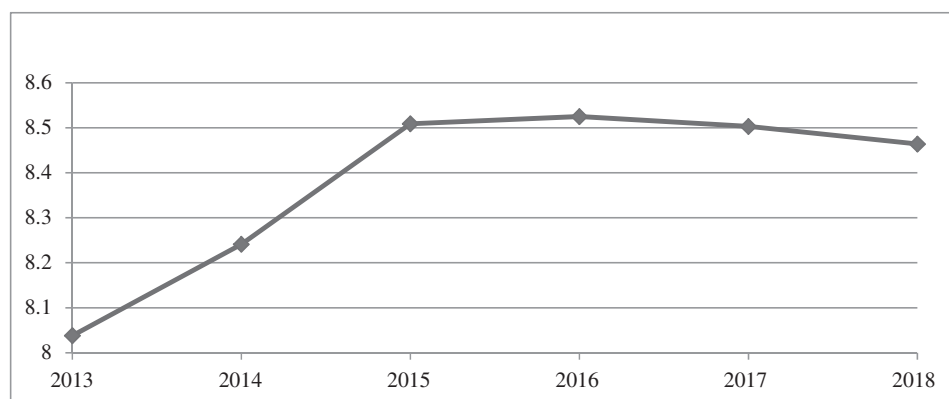
In the near-term outlook, China's economy faces important challenges. Particularly, the rapid growth in credit financing also raises concerns about the quality of investment and the ability on repayment, especially when credit is flowing through less-well supervised parts of the financial system. In addition, growth has also become too dependent on the continued expansion of investment largely made by the property sectors and local governments. To cope with these challenges, the new government took office in March 2013 has announced a set of reforms, including (1) embedding strong governance in lower-level state or state-related economic institutions, especially the banks, state-owned enterprises, and local governments; (2)

continued liberalization and reduced government involvement, allowing a greater role of market forces; and (3) a decisive push for rebalancing toward higher household incomes and consumption.

Due to the recent slightly disappointing economic data, IMF and World Bank forecasted China GDP growth will stay at 7.75% and 7.7% respectively this year. Forecast by economists surveyed by Bloomberg also suggested the growth would possibly stay at 7.8% this year. Meanwhile, the World Bank also suggested that the worst risks to the recovery, including a Eurozone meltdown, are now in the past.

The following diagram shows the real GDP annual growth rate forecasts from 2013 to 2018:

Figure XI — 3 — China Real GDP Annual Growth Rate Forecasts



Source: *World Economic Outlook of April 2013, IMF*

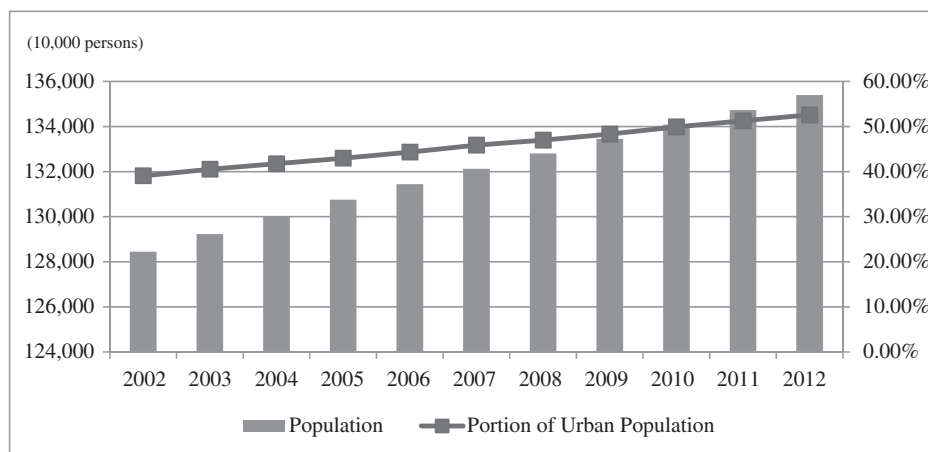
2. Population Growth

The population of China is almost one fifth of that of the world. According to the National Bureau of Statistics of China, during the past decade, the population has grown from 1.28 billion to 1.34 billion, representing a CAGR of approximately 0.55%.

Besides, population growth along with increasing urbanization and expansion of the middle class are particularly important to the future growth of the domestic consumption demand. The portion of urban population in China increased from 39% in 2002 to a record high of 53% in 2012, representing a CAGR of approximately 3.55%.

The following diagram shows the population growth and corresponding urban population growth in China from 2002 to 2012:

Figure XI — 4 — Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China, China Statistical Yearbook 2012

3. Price Inflation

Managing inflation risk has always been one of the key missions for the Chinese government since 2010. The latest economic data released by National Bureau of Statistics of China also indicated that the inflation rate was reported at 2.5% in 2012, as compared with that of 4.1% at the end of 2011. China's central bank governor, Zhou Xiaochuan said earlier this year he was on guard against inflation and that monetary policy is now "neutral", after a slightly easy policy stance in the past year.

A factor determining future monetary policy could possibly be property prices. This year, property prices in major cities continue to rise fast. Data from property agency Soufun shows prices in major cities including Guangzhou and Beijing rising at double-digit rates. Residential rent in Shanghai is up 13% from a year ago, according to Centaline, another property agency. However, another important factor determining monetary policy, food prices, remained stable at acceptable level of 5% at the end of 2012. According to the China Economic Outlook published by IMF in April 2013, the average inflation in China is expected to remain at about 3.0% in 2013 and onwards.

The chart below shows the historical CPI-Food trend in China:

Figure XI — 5 — CPI-Food Trend in China (Index Value, Preceding Year=100)



Source: National Bureau of Statistics of China, China Statistical Yearbook 2012

Table XI — 3 — Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices (%)					2018F
	2013F	2014F	2015F	2016F	2017F	
World	3.82	3.85	3.70	3.64	3.60	3.55
Emerging and developing economies	5.93	5.92	5.65	5.33	5.13	4.94
China	3.01	3.00	3.00	3.00	3.00	3.00

Source: World Economic Outlook of April 2012 (by country group), IMF;

4. Government Policy

China will maintain a proactive fiscal policy and a prudent monetary policy in 2013, as well as expanding the economy by 7.5%, former Premier Wen Jiabao said while delivering his last government work report at the parliament's annual session earlier this year.

To implement the proactive fiscal policy this year, the government will increase the deficit and government debt in combination with tax reform and structural tax cuts, as well as optimizing government spending and improving management over local government borrowing.

To maintain a prudent monetary policy, the government will improve its policy framework for exercising its macroeconomic controls and have monetary policy play a counter-cyclical role.

In the central economic work conference held in Beijing at the end of the last year, the new Communist Party of China top leaders also emphasized the main tasks in 2013 would be:

1. Ensuring sustainable and healthy economic development;
2. Increasing support to agriculture, the rural economy and innovation;
3. Restructuring industry through means of innovations and branding to maintain high quality development;
4. Focusing on improving the quality of urbanization;
5. Improving people's well-being; and
6. Firmly promoting economic reforms, and reforming open market policy.

Overall speaking, even though the Chinese economy remains subdued early this year, China is still one of the fastest growing countries in the world. Data released earlier this year has been generally less than robust, but there have been a few bright spots. So far this year, inflation has been generally mild; leaving policy makers plenty of room if they believe the economy needs a quick dose of monetary assistance.

XII. INDUSTRY OVERVIEW

The global forestry industry provides timber resources and processed wood products for diverse industries. Upstream activities are about forest resource management, which includes forest planning, planting, stand tending and management of the forest as well as harvesting and transportation of timbers. In the downstream activities, mainly include processing logs into products, such as sawn timber, plywood, veneer, reconstituted panel products, pulp and paper; also include further value-added processing activities, such as production of moulding, other housing and building materials including flooring and furniture.

China is one of the forest-rich nations in the world. According to Global Forest Resources Assessment 2010 (the “**FAO 2010 report**”) published by Food and Agriculture Organization of The United Nations (the “**FAO**”), China, together with Russia, Brazil, Canada and the United States, accounts for more than half of the total forest area in the world.

Based on China's National Plan for Long- and Medium-Term Forestry Development, by 2020, the total forest area of China will reach about 220 million hectare, and the forest coverage will reach 23.46%. China's forest resources were unevenly distributed because of human activities and natural disasters or disturbances. Generally speaking, China's forest resource is mainly distributed in the northeast Inner Mongolia forest area, southwest high mountain forest area, southeast low mountain hilly forest area, northwest high mountain forest area and tropical forest area.

Deforestation problem in China has been improved in recent years. It is mainly due to the large scale afforestation in the last 10–15 years promoted by the Chinese Government. The planted forest area accounted for a large portion of the new forest area in China which lead to

the world planted forest area aggregated to 7% of the total forest area according to the FAO 2010 report. The productive forestry area dropped for close to 30 million hectares in the last two decades in China according to the FAO 2010 report. A large portion of designated area for productive use has been re-assigned for protective purposes. China has tripled the protective area in the past twenty years. The Chinese government also encourages the re-forestation and subsidizes the farmer with food to convert farmland to forest.

One of the intentions of the Chinese government to promote afforestation is to protect the soil and water resources. Soil erosion and desertification are very serious in some areas in China. The problems of soil erosion and desertification will not just affect domestically but it will affect the other regions. One of the outcomes of soil erosion and desertification is the increase in number of days with severe sandstorm and duststorm weather in northern part of China. Based on the comment from the Experts and our own research, the conservative area of forest cannot be logged anymore and the Experts expected this policy will keep in the foreseeable future.

The tightening of the forestry policy, especially on the logging quota, will hinder the industry development. Per the Experts, the tightening of forestry policy especially on natural forest, is a national wide direction and it might go further in the future.

Over the last decade, due to China's rapid economic development and the pace of globalization, the demand on forestry products has developed at a tremendous speed. The production volume of wood products ranked to the top of the world. However, timber per capita consumption was still only 0.12m³ compared to the world's average of 0.68m³. The strong appetite of Chinese customers on wood products is mainly due to the great improvement on their financial status and the prosperity of the property market.

Accompanying with the development of the economy, the local governments also demand more responsibilities from the natural resources companies, such as mining companies and forestry companies to invest more in mid-stream processing industry which enjoy a higher profit margin and can retain more economic benefits in the local community instead of merely investing in low levels raw material processing business. These intentions put a significant burden on the corporates' capital and discourage the companies with capital constraint to continue to participate in this industry.

As mentioned in the economic overview, the Chinese Government tried to balance the economic development and the sustainability of our environment. After the financial crisis in 2008, the Chinese Government has injected RMB4,000 billion to stimulate the economic growth to balance the impact from the crisis. Such a large amount of capital injection continuously heat up the already over-heated Chinese economy. One of the consequences was over expansion in the infrastructure and property market. In order to cool down the economy to avoid even bigger financial bubble, the Chinese Government has applied many difference fiscal and monetary policies. It also used administrative measures to control the property market development. All these policies resulted in a quick contraction in many property-related industries and slowed down the demand on primary resources, such as steel, coal, timber, etc.

Unfortunately, China is a major timber import country and the slowdown in the domestic demand cannot be easily compensated by the exports especially when the global demand is low. Most of the advanced economies do not perform very well in recent years. Up to now, the recovery of United States economy is still slow and unstable. It is still struggling on when and how to terminate the quantitative easing policy without jeopardizing economic growth. EU performance is also not very well, even though the Sovereignty debt crisis started to stabilize. EU is lowering the coming financial growth in 2014 and cut down the interest rate suddenly to stimulate the economic growth. Japan, after the Fukushima nuclear disaster, shift the focus back to economic development. However, it is expected that the full recovery of its economy is still a long way to go.

Overall speaking, the intrinsic demand on wood products which supported by 1.3 billion population is huge. In the long run, such a big intrinsic demand on wood products will pull the demand on timber resources. However, in short to medium term, the demand on timber resources still largely depends on the economic environment, the national forestry policy and the implementation of those policies in domestic level. For those companies with large but non-operating forest assets, effective ways of raising capital to sustain the operations would be the utmost important mission to survive in this hard time.

XIII. VALUATION METHODOLOGY

The valuation of any business or asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

1. Cost Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. It also commonly refers as the asset approach in business valuation.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have considered but rejected the cost approach for this valuation due to the following reason:

- the value of the Equity Interest is determined by the ability to generate a stream of benefits in future, rather than the cost of replacement of its assets and liabilities.

2. Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected the market approach for the valuation of the Equity Interest due to:

- the market approach is the approximate transaction price of a company/business in the market place. Direct comparison of natural resource companies is often difficult;
- Forest assets often consists of a number of unique characteristics that make direct comparisons complicated, such characteristics include, but not limited to quality and quantity of each species, location and maturity, etc; and
- acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the estimate of the transaction.

3. Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have considered and applied the income approach for the valuation of the Equity Interest due to:

- the value of the Equity Interest is determined by the ability to generate a stream of benefits in future; and
- economic benefit streams of the Equity Interest can be identified based on projected cash flow of the operation.

XIV. GENERAL VALUATION ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation are:

- there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong and the PRC where the Disposed Group is carrying on its businesses;
- there will be no significant deviation in the industry trends and market conditions from the current market expectation;
- there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- there will be no major change in the current taxation law in Hong Kong, the PRC and countries of origin of our comparable companies;
- all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and
- the Disposed Group will retain competent management, key personnel, and technical staff to support the ongoing business operations.

XV. MAJOR VALUATION ASSUMPTIONS

Equity value is an economic measure reflecting the value of the equity holders' interest. Our development of the equity value will be performed by using a discounted cash flow (“DCF”) methodology, which requires a number of assumptions, including revenue and expense forecasts, working capital requirement and capital expenditure requirement. The nature and underlying rationale for these assumptions will be discussed below.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from the Disposed Group were estimated, and we discounted the cash flow to a present value at the appropriate discount rate.

The total present value of the discounted cash flows represents the business enterprise value (“BEV”). We computed the equity value of the BEV by adopting the following formula:

$$\text{Equity Value} = \text{Business Enterprise Value} + \text{Cash} - \text{Total Debt}$$

Whereas “Cash” refers to the cash on hand and at banks owned by the Disposed Group as at 30 September 2013, which was HK\$8,035,000, and “Total Debt” refers to the net current liabilities and long term liabilities of the Disposed Group excluding the Sale Loan, cash and cash equivalents and prepaid lease payments, as at 30 September 2013, which was HK\$499,358,000.

Provided below is a brief description of major assumptions, which are also applied in the valuation of the Equity Interest.

Forest Land Area and Annual Logging Volume

According to the Summary and the Legal Opinion, the total area of forest land is approximately 5 million mu and the forest area is approximately 2.4 million mu after deducting the wasteland. The Disposed Group also owns land use rights of approximately 5 million mu.

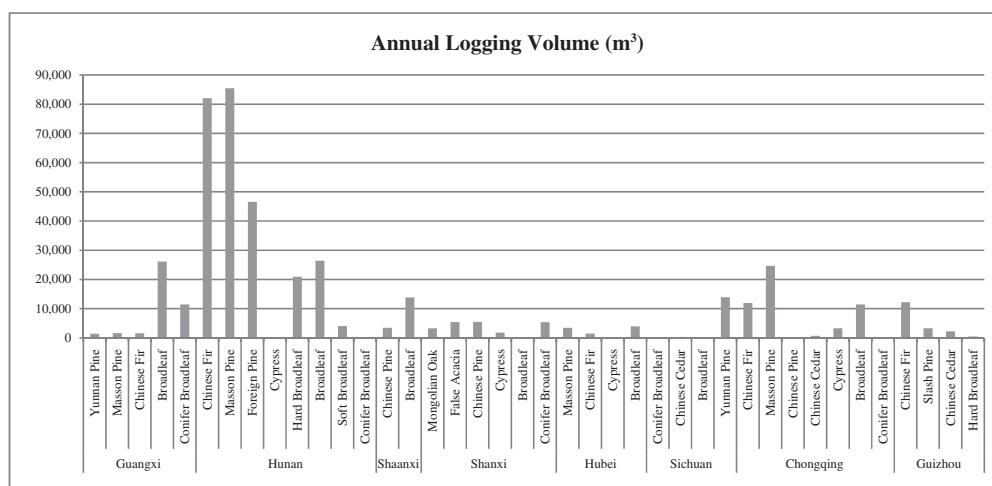
Table XV — 1 — Forest Area

Province	Forest Land ('000mu)	Forest Area after Deducting the Wasteland and the Forests of Ecology and Commonweal ('000mu)
Guangxi	257	177
Hunan	2,236	1,433
Shaanxi	131	110
Shanxi	185	152
Hubei	128	63
Sichuan	52	37
Chongqing	312	193
Guizhou	386	115
Yunnan	1,231	127
Subtotal	4,918	2,407
	('000mu)	
Yunnan (Land Use Right)	1,001	
Inner Mongolia (Land Use Right)	4,000	
Subtotal	5,001	

Source: The Forest Surveys and the management of the Disposed Group.

Based on the information provided by the management of the Company, there was not any large scale logging activities in recent years. The application of the harvesting permits was not smooth. In order to estimate the reasonable annual logging volume, the Experts estimated the annual logging volume based on different scenarios. All scenarios would yield an annual growth rate higher than the growth rate of the forests which is not permitted under the regulation. Finally, the Experts concluded that the reasonable annual logging volume would be deduced based on the growth rate of the forests.

Figure XV — 1 — Annual Logging Volume



Market Prices and Production Costs

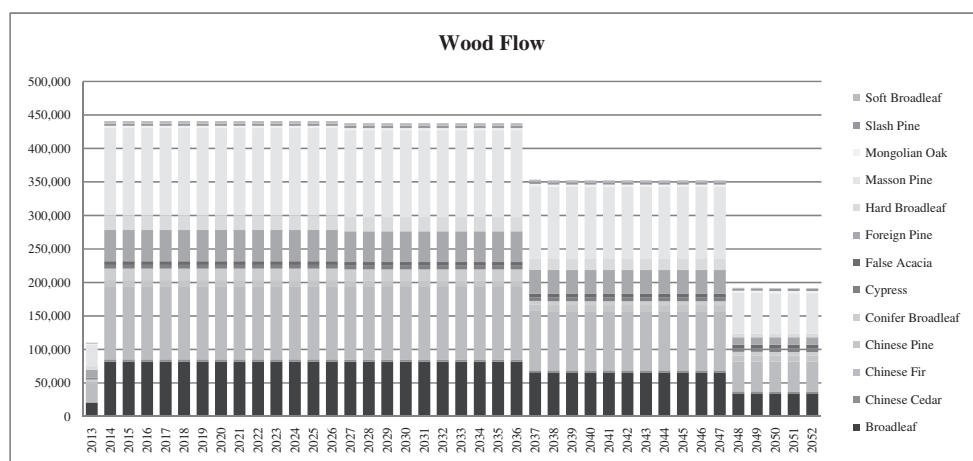
The log sale prices are directly obtained from the market. The production cost and recovery rate are based on the estimation of the Experts according to their research. Both market prices and production costs are assumed to grow at 3% per annual.

Table XV — 2 — Log Sale Price, Production Cost and Recovery Rate

Province	Type	Log Sale Price (RMB/m ³)	Production Cost (RMB/m ³)	Recovery Rate
Guangxi	Yunnan Pine	650	140	67%
	Masson Pine	650	140	67%
	Chinese Fir	850	120	72%
	Broadleaf	800	140	58%
	Conifer Broadleaf	720	140	63%
Hunan	Chinese Fir	1,100	150	66%
	Masson Pine	800	160	63%
	Foreign Pine	800	160	63%
	Cypress	980	160	65%
	Hard Broadleaf	750	180	50%
	Broadleaf	700	180	50%
	Soft Broadleaf	650	170	50%
	Conifer Broadleaf	750	170	55%
Shaanxi	Chinese Pine	1,000	200	71%
	Broadleaf	800	200	62%

Province	Type	Log Sale Price (RMB/m ³)	Production Cost (RMB/m ³)	Recovery Rate
Shanxi	Mongolian Oak	700	150	62%
	False Acacia	600	150	70%
	Chinese Pine	800	180	63%
	Cypress	900	180	65%
	Broadleaf	600	180	60%
	Conifer Broadleaf	650	180	62%
Hubei	Masson Pine	700	160	58%
	Chinese Fir	1,000	160	62%
	Cypress	980	170	60%
	Broadleaf	600	170	55%
Sichuan	Conifer Broadleaf	900	170	59%
	Chinese Cedar	1,100	160	73%
	Broadleaf	800	170	56%
	Yunnan Pine	850	170	60%
Chongqing	Chinese Fir	1,050	150	68%
	Masson Pine	950	170	65%
	Chinese Pine	950	170	60%
	Chinese Cedar	1,100	160	73%
	Cypress	900	170	66%
	Broadleaf	750	170	57%
	Conifer Broadleaf	850	170	62%
Guizhou	Chinese Fir	1,000	150	68%
	Slash Pine	950	160	63%
	Chinese Cedar	1,100	150	73%
	Hard Broadleaf	800	160	56%
Yunnan	Jatropha	2,500/ton	100/mu	

Figure XV — 2 — Wood Flow



Basis of Operating Costs

The operating costs mainly include logging area design fee, loading and transportation costs, annual operating license fees and management fee. The operating costs are based on the discussion with the management of the Disposed Group regarding the norms of the forestry industry practice and the researches conducted by Dr. Zheng Dexiang (biography of whom has been disclosed in “Appendix 1— Biography of the experts” in this report. The operating costs are assumed to grow at 3% per annual with reference to the inflation of China. The annual operating license fees and management fee are estimated to be 10.2% and 13% of the revenue, respectively.

Table XV — 3 — Operating Cost

Province	Design Fee (RMB/m ³)	Transportation Cost (RMB/m ³)
Guangxi	10	70
Hunan	8	70
Shaanxi	10	80
Shanxi	6	80
Hubei	10	70
Sichuan	12	60
Chongqing	12	60
Guizhou	10	50

Overall Operating Cost (RMB/Mu)

Yunnan

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Basis of Re-plantation

Based on the Experts' opinion, it might not reliably estimate the cost of re-plantation at this stage. Additionally, as the cost of re-plantation will be incurred after a long period of time, the overall impact to the value might not be significant. Thus, no re-plantation cost is assumed.

Projection Operation Period

It is assumed the business will be terminated when the forestry certificate is expired or up to 40 years whichever is earlier. We considered the value after the 40-year time frame would be insignificant due to the significant discounting impact.

Yunnan Land Use Right

The existing forest assets standing on the locations under Yunnan land use right were sold to another third party. In order to estimate the value of the land use right, it is assumed that the existing forest assets will be cleaned up on a rate similar to the average annual growth rate of the other 8 provinces and can lease to another party to receive rents.

Inner Mongolia Land Use Right

In order to estimate the value of the land use right, we estimated the market rental rate based on the original contract adjusted with relevant price index.

XVI. DETERMINATION OF DISCOUNT RATE

We developed the cost of equity (“ R_e ”) and the cost of debt (“ R_d ”) of the Disposed Group based on data and factors relevant to the economy, the industry, and the Disposed Group as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital (“WACC”).

Development of Weighted Average Cost of Capital (“WACC”)

We considered market and industry data to develop WACC for the Disposed Group.

The traditional formula for calculating the WACC is:

$$\text{WACC} = [(\%D) \times (R_d) \times (1 - \text{Tax Rate})] + [(\%E) \times (R_e)]$$

Where WACC: Weighted Average Cost of Capital;

$\%D$: Weight of Interest Bearing Debt;

R_d : Cost of Debt;

$\%E$: Weight of Equity; and

R_e : Cost of Equity.

Development of Cost of Equity (“ R_e ”)

We considered the Modified Capital Asset Pricing Model (“**MCAPM**”) to calculate the cost of equity of the Disposed Group.

Modified Capital Asset Pricing Model

MCAPM, as applied to the company, can be summarized as follows:

$$R_e = R_f + \text{Beta} \times \text{ERP} + \text{RP}_s + \text{RP}_u$$

Where R_e : Cost of Equity;

R_f : Risk Free Rate;

Beta: A measure of systematic risk;

ERP: Equity Risk Premium;

RP_s : Size Premium; and

RP_u : Specific Company Adjustment.

Risk Free Return (“ R_f ”)

R_f was found by looking at the yields of the long term China Government Bond. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted, which was 40 years in the present case. We relied on the yield of the long term China Government Bond as at the Valuation Date.

Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas for 5 guideline public companies (“**Guideline Public Companies**”) for this valuation. The betas were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the median of the Guideline Public Companies’ capital structure.

Selection of Guideline Public Companies

As aforementioned, the Guideline Public Companies are selected to compute beta in our determination of R_e .

We have selected the comparable companies which are principally engaging in the forestry sector with major revenue-generating activities conducted in China or Hong Kong matching the following selection criteria:

- Company participating in forestry sector with more than 50% revenue generated from forestry business in the last financial year;
- Majority of the Company’s revenue-generating activities are conducted in China and/or Hong Kong; and

— Company listing on the stock exchange in China or Hong Kong.

Based on the above selection criteria, comparable companies are identified from Bloomberg database. Further searches were conducted on the internet. We have also excluded those companies identified during the searches but its trading on the stock exchange has been suspended for more than six months as at the Valuation Date. Finally, five comparable companies are selected. To the best of our knowledge, the selected listed companies are all the appropriate companies based on the above criteria. Table XVI-1 below shows the exhaustive list of guideline public companies referenced in computing beta in our determination of R_e .

Table XVI — 1 — Guideline Public Company

Guideline Public Company	Ticker	Business Activities	Forest Locations
Jilin Forest Industry Co Ltd	600189 CH	— manufactures and markets a variety of forest products including timber, veneer, impregnated paper, silvi chemicals, and other related products. — imports timber products and manufactures nutritional products.	China
Fujian Jinsen Forestry Co Ltd	002679 CH	— cultivates, creates, maintains and protects forests, and sells timber production. — main product includes wood, with firs and masson pines as the main species.	China
Fujian Yongan Forestry Group	000663 CH	— products include timber, wood products, formaldehyde, impregnated paper, adhesives, and other related products.	China
Fujian Zhongfu Industries Co Ltd	000592 CH	— conducts forest operations and cultivation, and forestry products processing and sales. — main products are high-density fiberboards.	China
Sustainable Forest Holdings Ltd	723 HK	— owns natural forests in Brazil through freehold land and concessions. — practices sustainable forest management, harvests, processes and distributes semi-finished wood products primarily in China.	China and Brazil

Source: The Bloomberg

Note: In relation to Sustainable Forest Holdings Ltd, its forestry assets are situated in Brazil whereas majority of its revenue-generating activities are conducted in China or Hong Kong.

Table XVI — 2 — Beta

Median Unlevered Beta

0.912

Median Re-levered Beta

1.216

Equity Risk Premium (“ERP”)

We adopted the recent 30 years of equity risk premium of the market. We adopted the methodology based on Professor Damodaran of New York University to estimate the market risk premium. The equity risk premium of U.S. market is multiplied by the relative volatility between S&P 500 Index and equity indices of respective country where the subject company is located to obtain the equity risk premium. SHSE-SZ 300 indices was used. The volatility of U.S. equity market is obtained from Stocks, Bonds, Bills, and Inflation: 2013 Valuation Yearbook. The volatility of other equity indices is obtained from Bloomberg.

Size premium (“ RP_s ”)

Original Capital Asset Pricing Model cannot explain the excess return related to the size of the Company. RP_s , over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of this valuation, we applied the size premium of 3.81% in excess of MCAPM for companies in the Micro-cap of NYSE/AMEX/NASDAQ in the United States. We further relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2013 Valuation Yearbook.

Specific Company Adjustment (“ RP_u ”)

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to the company.

Firm specific risk factors may include the following:

- Customer Concentration
- Poor Access to Capital
- Thin Management
- Lack of Diversification
- Potential Environmental Issues
- Potential Litigation
- Narrow Distribution Channels
- Obsolete Technology
- Dim Company Outlook

As the Disposed Group's current operation is on-held and the original harvesting plan has been delayed for a long time, the Disposed Group's specific characteristics are different from the guideline public companies. Upon considering the impact from these specific risk factors, we apply a RP_u of 0.50% to the cost of equity to reflect the additional risk inherit in such a project that has yet to commence operation and delay in the original harvesting schedule.

Table XVI — 3 — Cost of Equity (“ R_e ”) Conclusion

MCAPM	30 September 2013
Risk-free Rate (“ R_f ”)	4.20%
Beta	1.216
Equity Risk Premium (“ERP”)	9.34%
Size Premium (“ RP_s ”)	3.81%
Specific Company Adjustment (“ RP_u ”)	0.50%
Cost of Equity (“R_e”)	19.87%

Development of Cost of Debt (“ R_d ”)

In order to estimate the cost of debt for this valuation, we relied on the China Above 5-Year Best Lending Rates, which is 6.55% as at the Valuation Date.

Weighted Average Cost of Capital (“WACC”)

WACC (being the discount rate for this valuation) is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure. We have “levered” the Disposed Group as if it mirrored the median percentage of debt as the Guideline Public Companies, on the assumption that over time, the Disposed Group will approach a median capital structure with 23.40% of debt, which is the less expensive form of capital than equity, to remain competitive. The calculation of WACC, or the discount rate, therefore becomes:

Table XVI — 4 — Weighted Average Cost of Capital

	30 September 2013
Percentage of Interest Bearing Debt (%D)	30.77%
× Market Cost of Debt (R_d)	6.55%
× (1 – Tax Rate)	75.00%
Weighted Cost of Debt	1.51%
+	
Percentage of Equity (%E)	69.23%
× Cost of Equity (R_e)	19.87%
Weighted Cost of Equity	13.75%
After-tax WACC	15.27%

Therefore, 15.27% was used as the discount rate for this valuation.

XVII. DISCOUNT FOR LACK OF MARKETABILITY (“DLOM”)

DLOM is the valuation adjustment with the largest monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required in order to sell the controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. The controlling interest does enjoy the benefit of controlling the cash flow stream of the business. Lastly, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees, intermediary fees and forest survey costs. In view of the above, 30% of DLOM is applied for the purpose of this valuation.

XVIII. SENSITIVITY ANALYSIS

Discount rate plays a pivotal role in the valuation as they are very sensitive to the fair value of the Equity Interest. The fair values of Equity Interest under different WACC are presented below:

100 % Equity Interest in Success Standard Investments Limited
(HK\$'000)

Discount rate	13.27%	14.27%	15.27%	16.27%	17.27%
Fair Value	554,428	493,015	440,139	393,670	353,167

XIX. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Disposed Group.

The opinions expressed in this report have been based on the information supplied to us by the Company, the Disposed Group and its staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company and the Disposed Group. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XX. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and on the valuation methods employed, it is our opinion that the fair value of the equity interest in Success Standard Investments Limited and its subsidiaries is as follows:

Fair Value of the equity interest in Success Standard Investments Limited and its subsidiaries	HK\$440,100,000
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* *Exchange rates as at 30 September 2013: RMB/HK\$:1.2668. Source: Bloomberg*

The opinion of values was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S. F. Choy, CFA, CVA
Director

Analyzed and Reported by:

Anson J. J. Li, M Fin
Assistant Manager, Business Advisory

INVOLVED STAFF BIOGRAPHY**Ferry S.F. Choy, CFA, CVA***Director*

Mr. Choy is presently the Director of Greater China Appraisal Limited. He provides valuation services mainly for financial reporting, transactions and IPO purpose. The valuation services provided include business valuation, equity valuation, biological assets valuation, mining valuation and financial instrument valuation. His experience covers a wide range of different industry includes food & beverage, manufacturing and information technology.

Anson J.J. Li, M Fin*Assistant Manager, Business Advisory*

Mr. Li is presently the Assistant Manager of Business Advisory Team of Greater China Appraisal Limited. He has extensive experiences in valuation of business and intangible assets, including operating licenses, mining licenses, trading contracts, customer bases, trade names and trademarks. His experience covers a wide range of industries including healthcare, financial services, mining, road tolls, information technology, manufacturing and retail.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

APPENDIX 1 — BIOGRAPHY OF THE EXPERTS**1. Dr. Zheng Dexiang**

Dr. Zheng is an associate professor and a master's tutor, working at the School of Forestry of Fujian Agriculture and Forestry University. Dr. Zheng was awarded Doctor of Forest Management and Post-Doctor of Agricultural and Forest Economy Management, and specializes in evaluation of forest resource assets, operation and management of forest resources. In July 2006, he graduated from Beijing Forestry University with a doctoral degree of forest management.

Since 1998, Dr. Zheng has either managed or participated in about 300 forest asset evaluation projects, for purposes including ownership transfer, share restructuring, auction, mortgage loan, business accounting, registration and capital verification, listing and arbitral appraisal.

2. Dr. Shu Qingtai

Dr. Shu is currently an associate professor, a postgraduate's tutor, and the Head of the Teaching and Research Division of Forest Management, and the Principal of Cartography and Geography Information System in the Faculty of Forestry of Southwest Forestry University, mainly studying the applications of resource and environment remote sensing and 3S technology in forestry. Dr. Shu has a Doctoral Degree in Forest Management from the College of Resource and Environment of Beijing Forestry University.

3. Dr. Lu Daodiao

Dr. Lu , graduated from College of Forestry, Central University of Forestry & Technology in 1986, finished the ecological classes for postgraduate in Guangxi University in 1999, and graduated with a Doctoral Degree of Forest Management from Beijing Forestry University in 2005. Since 2001, Dr. Lu has been an associate professor of forestry, deputy director of Department of Forestry, and successively as the deputy director of Forestry Exploration and Design Institute, College of Forestry.

The main courses he taught include Forestry Measurement, Forest Asset Appraisal and Forestry Project Evaluation. His other teaching courses are the postgraduate programs, including Resource and Environmental Economics, Forest Resource Monitoring and Modern Information Technology in Forestry.

4. Dr. Tan Wei

Dr. Tan is currently an associate professor with a Doctoral Degree. Dr. Tan's career experiences include the sixth and seventh board member of the Branch of Forest Management, Chinese Society of Forestry, the head of Forestry Information Engineering Research Center, Guizhou University, one of the leading instructors in Forest Management, College of Forestry, Guizhou University, one of the experts on the first session of higher educational research and evaluation in Guizhou University, a committee member of the Economic Committee, Democratic National Construction Association of Guizhou Province, a committee member of

the Academic Committee, Key Laboratory of Mountain Resources and Environment Remote Sensing Application in Guizhou Province, a consulting expert of Guiyang Forest Resources Management Station, and a senior consultant of Guizhou Tianbao Ecological Ltd.

5. Dr. Gong Zhiwen

Dr. Gong obtained his Doctoral Degree of Forest Management in Beijing Forestry University. He has a postgraduate degree from Fujian Agriculture and Forestry University majoring in Forestry Management. Dr. Gong now works at Northwest Agriculture and Forestry University as a lecturer.

6. Mr. Yong Peng

Mr. Yong graduated as a postgraduate in Forest Management from Fujian Agriculture and Forestry University in 2005 and was assigned to Shanxi Academy of Forestry Sciences in 2006, currently holding the position of deputy director in the Institute of Forest Ecology.

Mr. Yong's main research achievements include the engagement in the project "Creative Utilization of Good Jujube Resource and Research on Key Cultivation Technology", which has won the second prize of Liang Xi Forestry Science and Technology Awards, and the project "Study on site type division and afforestation mode in Shanxi Province", which has won the third prize of Shanxi Science and Technology Progress Awards. In addition, the project "New Awning for Use in Jujube Garden" has obtained one patent.

7. Mr. Cao Xiaoyu

Mr. Cao has mainly engaged in the research on Forest Management in the College of Forestry, Central Southern University of Forestry and Technology since September 2005. He is now a lecturer in the University. So far, his scientific participation includes the management of or the engagement in a number of national, provincial and prefectural projects, among which two departmental, university projects have been under Mr. Cao's management. Mr. Cao's main publications include more than 10 academic research papers.

8. Mr. Wang Libao

Mr. Wang has mainly engaged in the research on silviculture and directive breeding of forest in the College of Forestry, Central Southern University of Forestry and Technology since September 2004. Mr. Wang is also currently a lecturer in the University.

APPENDIX 2 — INTRODUCTION OF THE FOREST ASSETS**Guangxi Province**

The project area in Guangxi consists of Guangyun Tree Farm. The forest area after deducting the wasteland is 176,845 mu, and the standing volume of stumpage is about 1,522,000m³.

Guangyun Tree Farm is located in Pingle County, the northeastern part of Guangxi. The standing volume of the stumpage is 860,000 m³. The location of Pingle County is close to mountains and rivers with well-developed land roads. The climate there is warm with sufficient rainfall and sunlight. The winter there is short and summer is long. The annual average temperature is 19.9°C where the annual average precipitation ranges from 1,355mm to 1,865mm. The frost-free period lasts for more than 310 days, which is suitable for the growth of cedar and various kinds of grain and economic crops.

Guizhou Province

The project area in Guizhou consists of Rongjiang County, Wangmo County, Jinping County, Suiyang County and Huishui County. The forest area after deducting the wasteland is 115,167 mu, and the standing volume of stumpage is about 685,000m³. The climate there is warm and wet with little temperature variation. About 92.5% of the terrain there is mountainous area. It belongs to the red soil-yellow soil zone. The region is suitable for producing cedar tree, cryptomeria, masson pine, huashan pine, Yunnan pine, foreign pine, poplar, eucalyptus and paulownia.

Rongjiang

Rongjiang County is in the Southeastern part of Guizhou. It belongs to the wet climate in the sub-tropical zone. The annual average temperature ranges from 14°C to 19°C and the annual precipitation ranges from 1,000–1,600mm. The annual average sun exposure is about 1,200 hours. The forest coverage rate is 68.8%.

Wangmo

Wangmo County is in the southwestern part of Guizhou. It belongs to the warm and wet climate in the sub-tropical zone with early spring, long summer, later autumn and short winter. The annual average temperature is 19°C, lowest at -4.8°C and highest at 41.8°C and the annual precipitation is about 1,222mm. The forest-free period is 339 days. The soil here is mainly the yellow soil generated from the sand shale with the area of about 145.3 thousand hectares.

Jinping

Jinping County is in the eastern border of Guizhou. It belongs to the warm and wet climate in the sub-tropical zone. The annual precipitation range is sufficient but sunlight is not. The main soil there includes yellow soil and red soil (yellow-red soil), which is suitable for the growth of broad-leaved trees, such as cedar tree, pine and oak.

Suiyang

Suiyang County is in the northern part of Guizhou. The average altitude is 866m. The annual average temperature is 15.1°C and the annual precipitation is 1,160mm. The forestry coverage rate is 28.7% and the barren area and grass slope is about 3 million Chinese mu. The verified mineral resources include charcoal, iron, brassy, potassium, lead zinc, gypsum mine, and China clay mineral. Yellow soil is dominant in the county followed by red soil.

Huishui

Huishui County is in the middle and southern part of Guizhou. The land there is very fertile and it is a famous hometown of rice and orange in Guizhou. It belongs to the wet and monsoon climate in the sub-tropical zone. The annual average temperature is 16.3°C and the annual precipitation is 1,154mm. The annual average sun exposure ranges from 1,000 hours to 1,325 hours. The frost free period lasts for 278 days. Limestone and yellow soil are dominant in the county.

Yunnan Province

The project area in Yunnan is mainly clustered together in valleys such as Yuanjiang, Jinsha River, Honghe, Lancang River, Nanpan River and Nujiang River in southeastern Yunnan, southern Yunnan, southwestern Yunnan, northwestern Yunnan, northeastern Yunnan, and central Yunnan. The forest area after deducting the wasteland is 127,257 mu, and the standing volume of stumpage is about 83,000m³. The altitudes of them are less than 1,600m with annual average temperature ranging from 17°C to 20°C and the precipitation is low. The laterite and lateritic red soil are dominants and suitable for planting *Jatropha curcas*.

Chongqing Municipality

The project areas in Chongqing are mainly distributed within 17 districts and counties in Northeastern Chongqing and Southwestern Chongqing, and the forestry land in this area takes up 76.7% of the entire area of the city. The forest area after deducting the wasteland is 192,609 mu, and the standing volume of stumpage is about 1,543,000m³. It belongs to monsoon climate with sufficient rainfall and sunlight. The winter is warm and summer is hot. The annual average temperature is 18°C where the annual average precipitation ranges from 1,000mm to 1,450mm. The frost-free period lasts for more than 300 days. The total time of sunlight is around 1,000–1,200 hours. The main forest soil includes purple soil, yellow soil, yellow-brown soil and limestone soil, which is suitable for the growth of masson pine and broad-leaved tree.

Shaanxi Province

Zhiluo Tree Farm is the project area in Shaanxi. The forest area after deducting the wasteland is 109,968 mu, and the standing volume of stumpage is about 665,000m³. The area belongs to continental monsoon climate. The four seasons are distinctive and rainfall is sufficient. The annual average temperature is 7.4°C–9.3°C where the annual average precipitation ranges from 613.2mm. The annual average relative humidity is 65–70%. The total

time of sunlight is around 2,478.4 hours. The main forest soil includes grey-brown soil and the limestone brown soil. The soil is moist and has high fertilization, which is suitable for the growth of Chinese pine, China berry and poplar.

Shanxi Province

The project areas include six tree farms: Jiaochangping Tree Farm, Caijiachuan Tree Farm and Beishan Farm in Ji County of Linfen; Zhangdian Town Tree Farm, Buguan Town Tree Farm and Duma Town Tree Farm in Pinglu County of Yuncheng. The forest area after deducting the wasteland is 151,690 mu, and the standing volume of stumpage is about 786,000m³.

Linfen is in the southwestern part of Shanxi. It belongs to the semi-dry monsoon climate with four distinctive seasons. The forest coverage rate is 45% and its living stumpage is 1.51 million m³. The altitude here is 400m–1800m. The annual average precipitation is 470–650mm, and the annual average temperature is 6.5°C–11.4°C. The annual maximum and minimum temperature are 38.1°C and -20°C respectively. The length of frost-free period is 172 days. The annual sunlight time is 2,563.8 hours. The main soil includes the brown soil in mountainous region and the meadow soil. The main high-forest vegetation includes Chinese pine and platycladus orientalis, as well as liaodong oak, Chinese scholar tree, poplar and willow.

Yuncheng is in the southwestern part of Shanxi. The forest coverage rate is 49.3% and the total accumulation of the forest is 463,200m³. The total accumulation of the living stumpage in the county is 1.23 million m³. The annual average precipitation is 551.3mm, the average temperature is 13.8°C. The climate here belongs to the warm climate in the northern warm-temperate zone. The altitude here is under 800m, and the main coniferous trees include Chinese pine and locust, and the main broad-leaved trees include Quercus Suber, oriental white oak, large-fruited ulmus, goldenrain tree and ash tree.

Sichuan Province

The project area consists of Leibo County and Yanyuan County. The forest area after deducting the wasteland is 37,252 mu, and the standing volume of stumpage is about 584,000m³. Yunnan pine is the dominant of the project area.

The climate of Leibo County belongs to the mountainous region climate in the sub-tropical zone, and the four seasons are distinctive. The annual average temperature is 12.2°C while the length of frost-free period is 271 days. The precipitation is 850.64mm and the time of sunlight is 1,225.2 hours. The length of the frost-free period is 230–306 days.

Yanyuan County is located at the southern border of Qinghai-Tibet Plateau and the western bank of the lower reach of Yaqi River with four distinctive seasons. The annual temperature difference is small with big daily temperature difference whose average temperature is 12.1°C and the maximum temperature is 30.7°C. The annual precipitation is 855.2mm. The winter and spring in the county are dry, while in summer and autumn, the rainfall is concentrated.

For soil resources, the total area of the high-mountain meadow soil, purple soil, brown soil, rice soil and yellow soil take up 69.11% of the total land area, and they are the main kinds of soil in Sichuan Province.

Hubei Province

The project areas are distributed into different counties: Baokang County, Gucheng County, Yicheng City, Yunxi County and Fang County. The region is suitable for planting masson pine, Chinese fir, cypress and broad-leaved tree. The forest area after deducting the wasteland is 62,516 mu, and the standing volume of stumpage is about 288,000m³.

Baokang

Baokang County is located in the western part of Hubei. In this county, there are overlapping ranges of high mountains with ravines crisscrossing one another. With a sub-tropical continental monsoon climate, it has the four seasons are distinctive. The precipitation concentrated in particular periods. The average elevation is 1,000m. With significant height difference between higher places and lower places and a complex topography, different parts of the county have a distinctly different climate. The sunshine and rainfall in there are sufficient. Grayish purple soil and different types of yellow brown soil are the major soils in the county. Baokang provides a great biological resource with more than 2,400 types of plants in 288 families. The forest coverage reaches 79.2%, and mainly includes pine, oak and Chinese fir.

Gucheng

Gucheng County is located in the north-western part of Hubei. The main mountain ranges are from the east to the west where carbonate rock, clastic rock and metamorphic rock are distributed. With a sub-tropical continental monsoon climate, Gucheng County features with abundant rainfall, sufficient sunshine, mild climate and four distinctive seasons. The annual average temperature is 17.6°C, annual average sunshine is 1,665.8 hours, annual average precipitation is 934.5mm, annual average relative humidity is 76% and annual average frost-free period is 119 days. Influenced by sub-tropical monsoon climate, Gucheng County is suitable to grow sub-tropical plants and temperate plants. Also, there are 392 tree species, and the forest coverage reaches 43.7%. The standing forest stock reaches 1,540,000m³.

Yicheng

Yicheng City is located in the northwestern part of Hubei. Surrounded by mountains in its east and west, it has a plain in the central part. It is high in the north and low in the south, opening itself southward. With a sub-tropical humid monsoon climate, there are four distinctive seasons in Yicheng. The continental climate is good for the growth of living species, so there are 910 types of plants. In different areas of this city, the annual precipitation ranges from 800 mm to 1,000mm, annual average precipitation is 116.4 days.

Yunxi

Yunxi County is located at the junction of Hubei, Henan and Shaanxi. Surrounded by huge mountains, it is high in the northwest and low in the southeast, with a sub-tropical northern-border continental monsoon climate. Yunxi has four distinctive seasons, with moderate rainfall, sufficient sunshine, mild climate, long frost-free period and short period of severe winter. Its east-west span is 115km long, and the county-wide climate is not that balanced. The annual average temperature is 15.4°C, annual average sunshine is 1,874 hours and average elevation is about 800m.

Fang

Fang County is located in the northwestern part of Hubei. Fang County is in mountainous area in the northwestern part of Hubei, surrounded by mountains, slightly with a basin-like topography. It is high in the west and low in the east, while steep in the south and gentle in the north. With a sub-tropical monsoon climate, it has four distinctive seasons. The rainfall is concentrated. The annual average temperature ranges from 10°C to 15°C, annual average frost-free period is 223 days, annual average precipitation is 914mm, annual average accumulated sunshine is 1,700 hours–2,000 hours, forest coverage is 67.8% and standing volume is 4,380,000m³.

Hunan Province

The project area in Hunan includes Shaoyang City and Yueyang. The forest area after deducting the wasteland is 1,432,925 mu, and the standing volume of stumpage is about 8,138,000m³. It is suitable for growing cedar tree, masson pine and broad-leaved tree.

Shaoyang City is located in the southwestern part of Hunan. It belongs to the warm and monsoon climate of the middle sub-tropical zone. Shaoyang is located in the terrain area of Jiangnan hills. There are main kinds of landforms such as mountainous region, hills, downland, flat and plateau. The total area of hills and mountainous region takes up to one half of the area of the entire city. The forest coverage rate of Shaoyang is 58%. Shaoyang has a great biological diversity with rich forest resources and more than 2,826 kinds of plants.

Yueyang is located in the northeastern part of Hunan. It belongs to warm and monsoon climate area of northern sub-tropical area with the annual average temperature 17°C and the annual average precipitation is 1,302mm. The four seasons are distinctive, and the rainfall is sufficient. There are relative few forest resources in northern Hunan. The forest coverage rate of Yueyang is 45.3%, which is lower than the average level of Hunan Province.



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香港干諾道中111號
永安中心25樓

10 January 2014

The Board of Directors
China Sandi Holdings Limited
Unit 3309, 33/F, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Dear Sirs,

**CHINA SANDI HOLDINGS LIMITED (THE “COMPANY”) AND ITS SUBSIDIARIES
(COLLECTIVELY REFERRED TO AS THE “GROUP”)**

**INDEPENDENT ASSURANCE REPORT ON UNDERLYING DISCOUNTED FUTURE
ESTIMATED CASH FLOWS OF THE BUSINESS VALUATION ON 100% EQUITY
INTERESTS OF THE DISPOSED GROUP**

In accordance with our agreed terms of engagement, we have examined the arithmetical calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 10 January 2014, prepared by Greater China Appraisal Limited in respect of the appraisal of the valuation of the entire equity interests in Success Standard Investments Limited (the “**Disposed Company**”) and its subsidiaries (collectively the “**Disposed Group**”) as at 30 September 2013. The Valuation is set out in Appendix IV(A) of the circular of China Sandi Holdings Limited (the “**Company**”) dated 10 January 2014 (the “**Circular**”) in connection with the disposal of the 100% equity interest of the Disposed Group which is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out on pages IV(A)–14 to IV(A)–19 of the Circular. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

RESPONSIBILITIES OF REPORTING ACCOUNTANTS

It is our responsibility to form a conclusion, based on the arithmetical calculations of the discounted future estimated cash flows on which the Valuation is based and to report our conclusion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B to the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

BASIS OF CONCLUSION

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out on pages IV(A)–14 to IV(A)–19 of the Circular. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Accordingly, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the equity interests in the Disposal Company, or an expression of an audit or review opinion of the Valuation.

CONCLUSION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set on pages IV(A)–14 to IV(A)–19 of the Circular.

USE OF REPORT

Our report is intended solely for the use of the Company in connection with the submission to The Stock Exchange of Hong Kong Limited and for inclusion in the Circular of the Company in connection with its disposal of the 100% equity interests of the Disposed Group. This report may not be suitable for other purposes.

Yours faithfully,

BDO Limited

Certified Public Accountants

Hong Kong



SANDI
CHINA SANDI HOLDINGS LIMITED
中國三迪控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 00910)

10 January 2014

The Stock Exchange of Hong Kong Limited

11th Floor
One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sir/Madam,

**VALUATION OF SUCCESS STANDARD INVESTMENTS LIMITED AND ITS
SUBSIDIARIES (THE “DISPOSED GROUP”)**

We refer to the valuation report dated 10 January 2014 prepared by Greater China Appraisal Limited, an independent valuation firm (the “**Valuer**”) in relation to the valuation of the Disposed Group as at 30 September 2013 (“**Valuation**”), which is set out in Appendix IV(A) to this circular. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the circular of the Company dated 10 January 2014.

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the bases and assumptions based upon which the discounted cash flow in the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible for. We have also reviewed the calculations for the discounted cash flow in the valuation report issued by the Valuer. We have also considered the letter from BDO Limited dated 10 January 2014 as set out in part 1 to this Appendix regarding the calculations for which the discounted cash flow in the Valuation upon which the Forecast has been made. We hereby confirm that the Forecast has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board of

China Sandi Holdings Limited

Chi Chi Hung Kenneth

Executive Director and Company Secretary

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, none of the Directors and chief executives of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities transaction by Directors of Listed Companies.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of shares or underlying shares		Approximate % of existing issued share capital in the Company
		Long Position	Short position	
Mr. Guo Jiadi	Interest of Controlled Corporation (Note 1)	200,000,000	—	29.11%
United Century International Limited	Beneficial Owner (Note 2)	200,000,000	—	29.11%
Mrs. Chu Yuet Wah	Interest of Controlled Corporation (Note 3)	42,500,000	—	6.19%
Best China Limited	Beneficial Owner (Note 4)	42,500,000	—	6.19%

Notes:

1. The beneficial interests of Mr. Guo Jiadi in 200,000,000 Shares comprise corporate interest in 200,000,000 Shares, held through United Century International Limited.
2. The entire issued share capital of United Century International Limited is beneficially owned by Mr. Guo Jiadi.
3. The beneficial interests of Mrs. Chu Yuet Wah in 42,500,000 Shares comprise corporate interest in 42,500,000 Shares, held through Best China Limited.
4. The entire issued share capital of Best China Limited is beneficially owned by Mrs. Chu Yuet Wah.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 March 2013 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, proposed directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or had any other conflict of interests which any person has or may have with the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this circular that are or may be material:

- (a) the letter of intent entered into by the Company and an independent third party on 18 June 2013 for the purpose of negotiation with the Company and conduct due diligence review in relation to the possible disposal of Success Standard Investment Limited;
- (b) the letter of intent referred in (a) above was supplemented by the supplemental letter of intent entered into by the Company and the independent third party on 25 June 2013 to extend the due diligence review to six months;
- (c) the agreement dated 7 August 2013 and the supplemental agreement dated 30 August 2013 entered into between Fujian Sinco Industrial Co. Ltd.* (福建先科實業有限公司) and Fuzhou Gaojia Real Estate Development Co., Ltd.* (福州高佳房地產發展有限公司); and
- (d) the Agreement and the Supplemental Agreement.

9. EXPERTS AND CONSENTS

The following are the names and qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants responsible for (i) reviewing indebtedness statement contained in Appendix I of this circular; (ii) preparing the unaudited pro forma financial information of the Remaining Group as contained in Appendix II of this circular; (iii) preparing the unaudited financial information of the Disposed Group as contained in Appendix III of this circular; (iv) reviewing the Final Valuation and issuing a confirmation pursuant to Rule 14.62 under the Listing Rules, contents of such confirmation are included in this circular as Appendix IV(B); and (v) providing comfort letter on sufficiency of working capital of the Remaining Group.

Greater China Appraisal
Limited

Independent professional valuer responsible for preparing the Valuation Report, contents of the same are included in this circular as Appendix IV(A).

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in the promotion of, or in any assets which since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company is at Unit 3309, 33/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (b) The branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary is Mr. Chi Chi Hung Kenneth. Mr. Chi is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associated member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (d) In the event of inconsistency, the English texts of this circular shall prevail their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Unit 3309, 33/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong, from the date of this circular, up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Board, the text of which is set out on pages 5 to 19 of this circular;
- (c) letter from Company and confirmation from BDO Limited pursuant to Rule 14.62 of the Listing Rules regarding the Finalised Valuation;
- (d) the Valuation Report prepared by Greater China Appraisal Limited dated 10 January 2014;
- (e) the written consents referred to in paragraph headed “Experts and Consents” of this appendix;
- (f) the annual report of the Company (with consolidated audited account of the Company) for the two year ended 31 March 2012 and 31 March 2013 respectively;
- (g) the interim report of the Company for the six months ended 30 September 2013;
- (h) the material contracts referred to in the paragraph headed “Material contracts” to this appendix;
- (i) the circular of the Company dated 4 September 2013 in respect of the formation of joint venture companies and payment of the earnest monies for bidding of the Land; and
- (j) this circular.



SANDI
CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00910)

NOTICE IS HEREBY GIVEN that the special general meeting of China Sandi Holdings Limited (the “**Company**”) will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Tuesday, 28 January 2014 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions:

ORDINARY RESOLUTION

“THAT:

the Agreement and the Supplemental Agreement, defined and described in the circular of the Company dated 10 January 2014 (the “**Circular**”), a copy of the Agreement marked “**A**”, a copy of the Supplemental Agreement marked “**B**” together with a copy of the Circular marked “**C**” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed; and any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Agreement and the Supplemental Agreement.”

By order of the board of
China Sandi Holdings Limited
Chi Chi Hung Kenneth
Executive Director and Company Secretary

Hong Kong, 10 January 2014

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong:
Room 3309, 33rd Floor, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, on a poll, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, No. 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting thereof.