THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Chinlink International Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute or offer to acquire, purchase or subscribe for the securities of the Company.

CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED
普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 997)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SALE LOAN DUE BY E-INNOVATION LIMITED INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND ISSUE OF BOND; AND NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

英皇融資有限公司
Emperor Capital Limited

A notice convening the special general meeting of the Company to be held at 7/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Thursday, 21 May 2015 at 9:00 a.m. or any adjournment thereof, is set out on pages SGM–1 to SGM–3 of this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof (as the case may be) if you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

6 May 2015

* *For identification purpose only*

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

"Acquisition"	the proposed acquisition of the Sale Share and Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the S&P Agreement
"Announcements"	the announcement of the Company dated 18 February 2015 in relation to, among other things, the Acquisition and the announcement of the Company dated 30 April 2015 in relation to the supplemental agreement relating to the S&P Agreement
"associates"	has the same meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Bond"	the 12% coupon, five-year term unsecured Bond in the principal amount of HK$120,000,000, being part of the Consideration to be paid to the Vendor (or its nominee) for the Acquisition
"Business Day"	a day (other than a Saturday, Sunday and public holidays) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Chinlink • Worldport"	the logistics park under development as at Latest Practicable Date and located in Baohe Logistics Zone, Hantai District, Hanzhong City, Shaanxi Province
"Commercial Complex"	the shopping mall building with a total gross floor area of approximately 190,000 square meters comprising seven-storey above ground and two basement floors, situated at the east side of Banyin Road, Baqiao District, Xi'an City, Shaanxi Province, the PRC*(中國陝西省西安市灞橋區半引路東側)
"Company"	Chinlink International Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

"Completion"	completion of the Acquisition in accordance with the terms and conditions of the S&P Agreement
"Completion Accounts"	the unaudited consolidated management accounts of the Target Group for the period starting from 1 January 2015 and ending on the Completion Date to be prepared in accordance with Hong Kong Financial Reporting Standards
"Completion Date"	the third Business Day after fulfillment or waiver (as the case may be) of the conditions precedent set out in the S&P Agreement or such other date as the parties to the S&P Agreement may agree in writing
"Consideration"	the total consideration of HK$800,000,000 for the Acquisition
"Consideration Shares"	398,009,950 new Shares to be allotted and issued, credited as fully paid, at an issue price of HK$0.5025 per Share, being part of the Consideration to be paid to the Vendor (or its nominee) upon Completion
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)"	the director(s) of the Company, from time to time
"E-Innovation" or "Target Company"	E-Innovation Limited, a company incorporated in BVI with limited liability and wholly-owned by the Vendor
"E-Innovation Group"	E-Innovation and High Express
"Enlarged Group"	the Group as enlarged by Acquisition
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Li and Mr. Kwan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"High Express"	High Express International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by E-Innovation
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are not connected with (within the meaning of the Listing Rules) and is/are independent of the directors, chief executives and substantial shareholders of the Company, the Company and its subsidiaries or any of their respective associates
"Land"	the land parcel owned by the Property Development Company situated at the east side of Banyin Road, Baqiao District, Xi'an City, Shaanxi Province, the PRC*(中國陝西省西安市灞橋區半引路東側)
"Land Use Rights"	the land use rights granted by Xi'an City Municipal Land and Resources Bureau – Baqiao Branch*(西安市國土資源局灞橋分局) for the use of the Land in accordance with the terms set out therein
"Last Trading Day"	18 February 2015, being the date of the S&P Agreement
"Latest Practicable Date"	4 May 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 May 2015, or such other date as the parties to the S&P Agreement may agree
"Macau"	Macau Special Administrative Region of the PRC
"Management Contract"	the management contract dated 10 October 2011 entered into between the Property Development Company and the Property Management Company in respect of the management services provided to the Commercial Complex by the Property Management Company
"MLR"	Ministry of Land and Resources of the PRC(中華人民共和國國土資源部)

"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), or its predecessor, Ministry of Construction of the PRC (中華人民共和國建設部)
"Mr. Kwan"	Mr. Kwan Ka Shing, one of the shareholders of the Vendor holding 10% of the issued share capital thereof
"Mr. Li"	Mr. Li Chi Yung, one of the shareholders of the Vendor holding 90% of the issued share capital thereof
"NDRC"	National Development and Reform Commission (中華人民共和國國家發展和改革委員會) or its local counterparts
"PBOC"	The People's Bank of China (中國人民銀行)
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau and Taiwan
"Property"	the Land and the Commercial Complex
"Property Development Company" or "Tang Rong"	西安唐榮置業有限公司 (Xi'an Tang Rong Real Estate Limited*), the property developer of the Property
"Property Management Company" or "Ba Qiao"	西安大明宮灞橋建材家居有限公司 (Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited*), the property management company of the Commercial Complex
"Purchaser"	Esteemed Zone Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"S&P Agreement"	the conditional sale and purchase agreement dated 18 February 2015 (as supplemented by a supplement agreement dated 30 April 2015) entered into among the Vendor, the Purchaser and the Guarantors in respect of the Acquisition

"SAFE"	State Administration of Foreign Exchange (國家外滙管理局)
"SAIC"	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Loan"	all indebtedness, obligations and liabilities due, owing or incurred by the Target Group to the Vendor as at the Completion Date, whether actual, contingent or deferred and irrespective whether or not the same is due and payable on Completion
"Sale Share"	the one issued ordinary share of the Target Company, being the entire issued share capital of the Target Company held by the Vendor
"SFC"	the Securities and Futures Commission of Hong Kong
"SGM"	the special general meeting of the Company to be held to approve, among other things, (i) the S&P Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to allot and issue the Consideration Shares
"Share(s)"	ordinary share(s) of HK$0.0125 each in the share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"sq.m"	square metre(s)
"Specific Mandate"	the specific mandate to allot and issue the Consideration Shares to be sought from the Shareholders at the SGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Sino Virtue Holdings Limited, a company incorporated in BVI with limited liability and is wholly-owned by the Guarantors
"%"	per cent.

CHINLINK
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CHINLINK INTERNATIONAL HOLDINGS LIMITED
普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 997)

Executive Directors:
Mr. Li Weibin *(Chairman)*
Mr. Siu Wai Yip
Ms. Lam Suk Ling, Shirley
Mr. Lau Chi Kit

Non-executive Director:
Ms. Fung Sau Mui

Independent Non-executive Directors:
Dr. Ho Chung Tai, Raymond
Ms. Lai Ka Fung, May
Ms. Chan Sim Ling, Irene

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
7/F., Two Exchange Square
8 Connaught Place
Central, Hong Kong

6 May 2015

To Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SALE LOAN DUE BY E-INNOVATION LIMITED INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND ISSUE OF BOND; AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcements in relation to the Acquisition.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) the financial information of the Target Group; (iii) the financial and other information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report prepared by an independent valuer on the Property; (vi) the notice of the SGM; and (vii) other information as required under the Listing Rules.

THE ACQUISITION

On 18 February 2015 (after trading hours), the Purchaser and the Vendor entered into the S&P Agreement (as supplemented by a supplement agreement dated 30 April 2015) pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, (i) the Sale Share and (ii) the Sale Loan at a total consideration of HK$800,000,000. The Sale Share represents the entire issued share capital of the Target Company and the Consideration will be satisfied as to HK$30,000,000 in cash within two months after signing of the S&P Agreement; as to HK$450,000,000 in cash upon Completion; as to HK$120,000,000 by the issue of the Bond upon Completion; and as to HK$200,000,000 by the allotment and issue, credited as fully paid of the 398,009,950 Consideration Shares by the Company at an issue price of HK$0.5025 each, representing the average of the closing prices per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the S&P Agreement, upon Completion.

1. THE S&P AGREEMENT

Date

18 February 2015 (as supplemented by a supplement agreement on 30 April 2015)

Parties

Purchaser:	Esteemed Zone Limited, a wholly-owned subsidiary of the Company
Vendor:	Sino Virtue Holdings Limited
Guarantors:	Mr. Li Chi Yung and Mr. Kwan Ka Shing

The Vendor is an investment holding company incorporated in BVI with limited liability, the issued share capital of which is beneficially and directly held by Mr. Li and Mr. Kwan as to 90% and 10% respectively.

In consideration of the Purchaser agreeing to enter into the S&P Agreement, Mr. Li and Mr. Kwan agreed to act as the Guarantors to guarantee the performance by the Vendor of its obligations under the S&P Agreement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners, the Guarantors, and their respective associates (if applicable) is an Independent Third Party.

Assets to be acquired

(i) The Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan, being all of the outstanding loans, if any, due by the Target Group to the Vendor as at the Completion Date. For reference only, the Sale Loan amounted to approximately HK$76 million as at the date of the S&P Agreement and is expected to amount up to approximately HK$384 million as at the Completion Date.

The Target Company is a company incorporated in BVI and is an investment holding company. The Target Company indirectly holds 73.375% of the equity interest in the Property Development Company and 73.375% of the equity interest in the Property Management Company respectively. The principal asset of the Property Development Company is the Land Use Rights of the Land and the ownership of the Commercial Complex, and the principal asset of the Property Management Company is the ownership of leasehold improvement in the Commercial Complex.

Consideration

The Consideration for the Acquisition is HK$800,000,000 and shall be satisfied by the Purchaser in the following manner:

(i) HK$30,000,000 shall be paid by the Purchaser to the Vendor (or its nominee) within two months after signing of the S&P Agreement;

(ii) HK$450,000,000 shall be paid by the Purchaser to the Vendor (or its nominee) in cash upon Completion;

(iii) HK$120,000,000 shall be settled by procuring the Company to issue the Bond in the principal amount of HK$120,000,000 to the Vendor (or its nominee) upon Completion; and

(iv) HK$200,000,000 shall be settled by procuring the Company to allot and issue, credited as fully paid an aggregate of 398,009,950 Consideration Shares to the Vendor (or its nominee) at an issue price of HK$0.5025 per Consideration Share upon Completion.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to (i) the preliminarily assessment on the valuation of the Property prepared by an independent valuer, valuing the Property at approximately RMB1.8 billion as at 31 December 2014 by direct comparison method where comparison based on prices realized on actual sales/asking price of comparable property is made; (ii) the unaudited management accounts of the Property Development Company and the Property Management Company as at 31 December 2014 prepared under PRC Financial Reporting Standard; and (iii) the business prospect of the Target Group.

Based on the above, the Directors consider that the Consideration is fair and reasonable to the Company and taking into account the reasons as further elaborated in the section headed "Reasons for and Benefits of the Acquisition" below, the Acquisition is in the interests of the Company and the Shareholders as a whole. The cash portion of the Consideration will be financed by internal resources and debt financing, including but not limited to bank borrowings.

The Bond

Upon Completion, to satisfy part of the Consideration, the Purchaser will procure the Company to issue the Bond to the Vendor (or its nominee). The principal terms of the Bond are summarized below:

Principal Amount:	HK$120,000,000
Maturity Date:	The date falling on the fifth (5th) anniversary of the date of issue of the Bond or if that is not a Business Day, the first Business Day thereafter
Interest Rate:	12% per annum, accrued daily on a 365 days basis and payable annually in arrears
Issue Price:	100% of the principal amount of the Bond
Denomination:	In denomination of HK$1,000,000 and integral multiples of HK$1,000,000 in excess thereof
Status:	The Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bond shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Listing:	No application will be made for the listing of the Bond.
Transferability:	The Bond may be transferred in whole or in part (if in part, in minimum amount of HK$1,000,000 or in whole multiple thereof) and may be transferred to any person.
Early redemption:	The Company may at any time before the maturity date redeem the Bond (in whole or in part) at 100% of the total principal amount of such Bond together with any interest accrued thereon from the date of issue of the Bond or the last interest payment date, as the case may be and up to the date of redemption. For the avoidance of doubt, the holder of the Bond has no right to request for early redemption by the Company.
Redemption price at maturity:	The Bond will be redeemed at par at maturity.

The terms of the Bond, including the interest rate, have been negotiated on arm's length basis, having considered the Group's existing financing costs and the market rate of unsecured bonds or notes available to corporate issuer in the debt financing market in Hong Kong. Considering that (i) the Company has placed 8% coupon unsecured bonds in an aggregate principal amount up to HK$200,000,000 as announced on 15 October 2014 and 31 October 2014; 7.5% convertible bonds in an aggregate principal amount of HK$300,000,000 as announced on 30 August 2013; and 6.5% coupon unsecured bonds in an aggregated principal amount of HK$190,450,000 as announced on 3 July 2013; and (ii) the interest rate ranges from 8%-12% in general for the unsecured bonds or notes issued by a number of listed property developers on the Stock Exchange in the debt financing market in 2014, the Board is of the view that the terms of the Bond including the interest rate are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration Shares

Upon Completion, to satisfy part of the Consideration, the Purchaser will procure the Company to allot and issue, credited as fully paid, an aggregate of 398,009,950 Consideration Shares at an issue price of HK$0.5025 per Consideration Share to the Vendor (or its nominee).

The 398,009,950 Consideration Shares represent (i) approximately 17.43% of the existing issued share capital of the Company as at the date of this circular; and (ii) approximately 14.84% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Given that upon Completion, the Vendor will own

approximately 14.84% of the enlarged issued share capital of the Company, while the existing controlling Shareholder, Wealth Keeper International Limited, will remain as the single largest Shareholder holding more than 50% of the enlarged issued share capital of the Company, there will not be any change in control of the Company as a result of the allotment and issue of the Consideration Shares.

The issue price of HK$0.5025 per Consideration Share represents the average of the closing prices per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the S&P Agreement and was arrived at after arm's length negotiation between the Company and the Vendor taking into account the recent market prices of the Shares. The issue price of the Consideration Shares also represents:

– a premium of approximately 0.5% over the closing price of HK$0.50 per Share on the Last Trading Day;

– a premium of approximately 0.3% over the average of the closing prices of HK$0.501 per Share for the last 5 trading days up to and including the Last Trading Day; and

– a discount of approximately 13.4% below the closing price of HK$0.57 per Share on the Latest Practicable Date.

The Consideration Shares will be issued under the Specific Mandate to be granted by the Shareholders at the SGM. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. Details of the impact of the allotment and issue of the Consideration Shares on the shareholding structure of the Company are set out in the section headed "Shareholding structure as a result of the Acquisition" in this circular below.

According to the valuation report of Ascent Partners Valuation Service Limited set out in Appendix VI to this circular ("Valuation Report"), the value of the property in Group I was valued on market basis and the direct comparison method is adopted where comparison based on comparable sales/asking evidence. For the value of the property in Group II, they have made reference to the comparable sales transactions as available in the subject localities as well as the relevant benchmark land prices.

In the Valuation Report, it was assumed that the seller sells the property interests on the open market in their existing states without other benefits and the transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. It was also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted. There are also other specific assumptions in relation to the Property, such as (i) no extraordinary expenses or delays will be incurred during the

construction period of the Property due to soil condition of the site, and (ii) an average unit rate of RMB12,300/sq.m for commercial (Level 1), RMB5,200/sq.m for ancillary office and RMB109,000 per car parking space.

Taking into account of the valuation methodology, major assumptions and inputs as stated in the Valuation Report, the Directors consider that the Valuation Report reasonably reflects the value of the properties in Group I and II and is a fair reference in determining the Consideration.

Conditions precedent

Completion of the S&P Agreement is conditional upon:

(1) the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Group;

(2) the shareholders of the Company passing at the SGM the resolution approving the S&P Agreement and the transactions contemplated thereunder including but not limited to the grant of the Specific Mandate for the allotment and issue of the Consideration Shares;

(3) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;

(4) all necessary consents, licences and approvals for or in connection with the sale and purchase of the Sale Share and the Sale Loan having been obtained by the Vendor;

(5) all necessary consents, licences and approvals for or in connection with the sale and purchase of the Sale Share and the Sale Loan having been obtained by the Purchaser;

(6) the security interests, if any, given by the Vendor in respect of the share capital of each member of the Target Group and the Sale Loan will be released in full upon Completion, in form and substance satisfactory to the Purchaser;

(7) there being no event, fact or circumstance which constitutes a breach or a possible breach of the warranties given by the Vendor or other provisions under the S&P Agreement;

(8) the obtaining of a valuation report issued by an independent professional valuer appointed by the Purchaser, in form and substance satisfactory to the Purchaser, showing the valuation of the Property to be not less than RMB1.7 billion; and

(9) the Purchaser having received from its PRC legal advisers a legal opinion, in form and substance satisfactory to the Purchaser, covering such matters of PRC laws in relation to the legality, validity and feasibility of the transactions contemplated under the S&P Agreement, corporate information of the Property Management Company and the Property Development Company, the validity of the Property, the rental agreements and the Management Contract etc.

As at the Latest Practicable Date, save for conditions (1), (8) and (9), none of the above conditions has been fulfilled. The Vendor shall use its best endeavours to procure the satisfaction of the conditions precedent set out in (1), (4), (6) and (7) above. The Purchaser shall use its best endeavours to procure the satisfaction of the conditions precedent set out in (2), (3) and (5) above. The Vendor shall procure that all information and documents required pursuant to the Listing Rules, all other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, independent advice or otherwise are duly given to the Purchaser, the Stock Exchange, the SFC and other relevant regulatory authorities.

The Purchaser shall be entitled at any time to inform the Vendor in writing to waive any conditions precedent (saved for conditions (2), (3), (4), (5) and (6) above which are incapable of being waived). If any of the conditions precedent has not been satisfied (or, as the case may be, waived by the Purchaser) at or before 4:00 p.m. on the Long Stop Date or such later date as the Purchaser, the Vendor and the Guarantors may agree in writing, the S&P Agreement shall cease and determine (saved for obligations under the confidentiality, notice, costs and governing law clauses) and the Vendor shall refund the deposit received to the Purchaser (without interest), and none of the parties thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion will take place on the third Business Day after all the conditions precedent having been fulfilled or waived (as the case may be) (or any other date as may be agreed among the parties to the S&P Agreement in writing). Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group.

The guarantee on net asset value of the Target Group

Pursuant to the S&P Agreement, the Vendor has given to and for the benefit of the Purchaser a net asset value guarantee that the consolidated net asset value of the Target Group upon Completion shall not be less than HK$1.0 billion.

During the determination of the guarantee amount, the Company had taken into consideration (i) the preliminarily assessment on the valuation of the Property prepared by an independent valuer, valuing the Property at approximately RMB1.8 billion as at 31 December 2014 by direct comparison method where comparison based on prices realized on actual sales/asking price of comparable property is made; (ii) the unaudited management accounts of the Property Development Company and the Property Management Company as at 31 December 2014 prepared under PRC Financial Reporting Standard; and (iii) the possible accounting treatments to present the financial information of both the Property Development Company and the Property Management Company in Hong Kong Financial Reporting Standards including (a) the changes in fair value of investment property; (b) deferred taxation arising from the recognition of the changes in fair value of investment property; (c) reversal of depreciation charged on investment property as well as (d) the adjustment on effective rental income. The Sale Loan is considered as a liability for the determination.

The Purchaser and the Vendor shall procure the Target Group to prepare the Completion Accounts showing the net asset value of the Target Group upon Completion in accordance with Hong Kong Financial Reporting Standards to be delivered to the Purchaser within 1 month from the Completion.

In the event that the consolidated net asset value of the Target Group upon Completion as shown in the Completion Accounts is less than HK$1.0 billion, the shortfall shall be compensated by deducting the principal amount of the Bond on a dollar to dollar basis to be issued to the Vendor. For the avoidance of doubt, any principal amount of the Bond deducted to compensate such shortfall shall not bear any interest from its date of issue. The certificate of the Bond, after its issuance upon Completion, will be pledged to the Purchaser as security against the aforementioned guarantee on net asset value of the Target Group, and in the event that the entire principal amount of the Bond is insufficient to cover the shortfall, the Vendor shall further compensate the Purchaser for such amount of remaining shortfall in cash within 7 Business Days after the Completion Accounts of the Target Group is issued.

According to the latest unaudited management accounts of the Target Group as at 31 December 2014, the combined net asset value of was approximately HK$1,582 million. The accountants' reports of the E-Innovation Group, Tang Rong and Ba Qiao adopting Hong Kong Financial Reporting Standards ("HKFRS") has been included in Appendix II of this circular.

Lock up of Consideration Shares

The Vendor undertakes that it shall not (and shall procure its nominee shall not), within six months after the Completion Date, transfer or otherwise dispose of or create any encumbrance or other rights in respect of at least two-third of the Consideration Shares or any interest therein or grant any options or rights in respect of such Consideration Shares, and in the event of a transfer or disposal of any of the Consideration Shares at any time during or after the expiry of the above six-month lock up period, the Vendor will take all reasonable steps to ensure that any such transfer or disposal will not create a false market in the Shares.

2. INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is a company incorporated in BVI with limited liability on 7 July 2014 and is wholly owned by the Vendor. It is an investment holding company and its principal asset is its investment in High Express, a company incorporated in Hong Kong with limited liability on 15 January 2014. High Express in turn holds 73.375% of the equity interest in the Property Development Company and 73.375% of the equity interest in the Property Management Company.

The Property Development Company

The Property Development Company is the developer of the Land and the Commercial Complex and holds the Land Use Rights. It was a joint stock company established under the laws of the PRC on 23 April 2010 and was subsequently changed to a sino-foreign equity joint venture in which High Express holds 73.375% of its equity interest. The remaining 26.625% of its equity interest is held by Independent Third Parties who are the original owners, of which two of them are corporate bodies and the other four are individuals. The two corporate shareholders are currently engaged in property management business. One of the ultimate beneficial owners of these two corporate shareholders of the Property Development Company is a director of the Property Development Company and the Property Management Company. These two corporate shareholders and the remaining individual shareholders are entitled to appoint two directors to the Property Development Company while the Purchaser is entitled to appoint three directors to the Property Development Company upon Completion. The Company has no intention to acquire the remaining 26.625% equity interests from the remaining owners as at the Latest Practicable Date.

The Property Development Company is principally engaged in (i) real estate projects investment and development; (ii) selling and leasing of real estate properties; (iii) property management and (iv) development of commercial centre.

The Property Management Company

The Property Management Company owns the fixed assets in the Commercial Complex and is involved in its management. It is a sino-foreign equity joint venture and High Express holds 73.375% of its equity interest. The remaining 26.625% of its equity interest is held by Independent Third Parties who are the original owners, of which one of them is a corporate body and the other four are individuals. The corporate shareholder is currently engaged in property management business. One of the ultimate beneficial owners of the corporate shareholder of the Property Management Company is a director of both the Property Management Company and the Property Development Company. The corporate shareholder and the remaining individual shareholders are entitled to appoint two directors to the Property Management Company while the Purchaser is entitled to appoint three directors to the Property Management Company upon Completion. The Company has no intention to acquire the remaining 26.625% equity interests from the remaining owners as at the Latest Practicable Date.

The Property Management Company is principally engaged in operation and management of commercial buildings and residential buildings.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the remaining shareholders of the Property Development Company and the Property Management Company, and their ultimate beneficial owners are Independent Third Parties. Save for an individual shareholder who owns 0.25% equity interest in each of the Property Development Company and the Property Management Company; and one of the ultimate beneficial owners of the corporate shareholders who, through the respective corporate shareholders, owns in aggregate of approximately 22.42% and 23.02% equity interest in the Property Development Company and the Property Management Company respectively, the remaining shareholders are not common shareholders in the Property Development Company and the Property Management Company.

The Sino-foreign Equity Joint Venture Agreements

Sino-foreign equity joint venture agreements had been entered into between High Express, the wholly-owned subsidiary of the Target Company and the other shareholders of the Property Development Company and the Property Management Company respectively on 24 December 2014, pursuant to which five directors had been appointed to manage and supervise each of the two companies respectively. The Target Company had appointed three directors while the other shareholders had appointed two directors to the board of each of the Property Development Company and the Property Management Company. One board meeting shall be held every year with a quorum of at least four directors to attend the board meeting. The chairman will inform the other directors the timing and place of the meeting ten days in advance. In terms of the dividend distribution, it is directly proportional to the respective shareholdings of the shareholders. The Purchaser, upon Completion, shall own the entire equity interest of the Target Company and shall be eligible to alternate three directors that are appointed by High Express.

Under the sino-foreign joint venture agreements, the dividend shall be proposed by the boards of directors of the Property Management Company and Property Development Company. As at the Latest Practicable Date, there is no agreed percentage of profit to be distributed and the Enlarged Group intends to consider the dividend upon the end of financial year by reference to the then actual financial performance of the Target Group.

The Management Contract

The Property Development Company and the Property Management Company have entered into the Management Contract, pursuant to which the Property Management Company performs management services to the Commercial Complex on behalf of the Property Development Company including the indoor and outdoor decoration and maintenance on self-financing basis. During the 10-year term of the Management Contract commencing from 1 May 2012 to 30 April 2022, the Property Management Company has to bear all expenses incurred due to the procurement of construction material, installation of facilities, construction work and maintenance work of the Commercial Complex. In return, the Property Management Company is entitled to negotiate and solicit new tenants of the Commercial Complex and earns management fee income from the tenants of the Commercial Complex during the 10-year term.

The Property

The principal asset of the Property Development Company is the Property (which comprises the Land and the Commercial Complex) and is located at the eastern district of Xi'an City, Shaanxi Province, the PRC.

(i) The Land

The Land is situated at the east side of Banyin Road, Baqiao District, Xi'an City, Shaanxi Province, the PRC and has a total site area of 58,698 square metres. The Land Use Rights certificate of the Land was issued on 2 April 2013. The Land Use Rights will expire on 6 December 2052. According to the Land Use Rights certificate, the Land shall be used for commercial purpose. The development of the Land is divided into two phases and the first phase development has been completed in April 2012, with the Commercial Complex constructed thereon. The Commercial Complex has a total gross floor area of approximately 190,000 square meters. The occupancy rate of the Commercial Complex was approximately 91% as at the Latest Practicable Date. The occupancy rate of the Commercial Complex as at 31 December 2014, 31 December 2013 and 31 December 2012 were approximately 91.7%, 96.0% and 99.7%. The occupancy rate decreased slightly in the year 2014. It was mainly due to the fact that a few tenants did not renew their tenancy agreements during the year.

The second phase development is expected to commence in the second quarter of 2015 and complete in the third quarter of 2016 with a total gross floor area of approximately 119,000 square meters. As advised by the Company's legal advisor as to PRC law, if the Property Development Company proceeds the second phase construction of the Property, the Enlarged Group has to apply for Project Establishment Approval, Construction Work Planning Permit and Construction Work Commencement Permit. As at the Latest Practicable Date, as advised by the Company's legal advisor as to the PRC law, the Enlarged Group does not consider that there will be major legal obstacles for the Property Development Company to be granted with the abovementioned approval and permits on the ground that the Enlarged Group fulfils the requirements of relevant laws and regulations.

Regarding the residential construction in the second phase development of the Property, as advised by the legal advisor of the Company as to PRC law, the development and construction of the apartment in the second phase by Tang Rong does not violate the laws of the PRC or the land use stated in the Contract of Assignment of the Right to the Land since the respective laws of the PRC do not forbid the construction of apartment on "land for commercial use". However, approval from principal planning department has to be obtained according to the respective law in the PRC, and the service life of the apartment constructed shall not exceed the expiry period stated on the land use right certificate. The Company, after consulting its PRC legal advisers, understood that subject to compliance with then legal requirements applicable to the development plan of the residential construction in the second phase development of the Property, there will be no major obstacles or legal impediment in obtaining such approvals.

Subject to Completion, the Directors intend to develop the second phase of the Land into a new integrated commercial complex comprising a shopping mall, apartments and carparks with gross floor area of approximately 50,000 square meters, 48,000 square meters and 21,000 square meters respectively. The Directors consider the development of the second phase would create a more complete logistics centre habitat, which in turn, strengthen the coherence between each node along the value chain of the logistics business on the Property. The Property Development Company will engage a qualified contractor in the second phase development. Based on preliminary estimation by the Directors, the construction cost of the second phase development is estimated to be approximately RMB292 million, attributable to the shopping mall, the apartments and the carparks as to RMB126 million, RMB122 million and RMB44 million respectively. In order to finance the development of the capital expenditure proportionate to the Group's ownership of the Property upon Completion, it is expected to contribute to the total cost of construction in the amount of approximately RMB214 million by internal resources, bank loans available and if any shortfall, by selling not more than approximately 30% of the commercial area of the Commerical Complex in the future. The Company intends to provide necessary financial support to the Target Group by way of loan when the Target Group encounters financial short-fall in the future. Such financial support will be on a contingent basis and the terms will be determined when such loans are requested by the Target Group, but the terms will be in line with the normal commercial terms.

The Company's estimate of the development cost of the second phase development of the Land was derived with reference to various building material costs to construct the total gross floor area of approximately 119,000 square meters in the second phase and relevant labour costs with reference to the average labour demand in the region.

The shopping mall of the second phase will be an extension of the existing Commercial Complex targeting same customer type as those of the existing Commercial Complex, i.e. wholesalers and retailers of interior building materials, home improvement and furnishing products, whereas the apartments are associated facilities to serve the customer need. The Directors consider that the Property Development Company and the Property Management Company will focus on the development and operation of the Property in Xi'an City. There is currently no plan for the Enlarged Group upon Completion to engage in property development, investment and management except for the development of Chinlink • Worldport and the Property of Target Group in Xi'an City. The Company considers that the Property to be held under the Enlarged Group is intended to enhance the logistics services available in a greater extent, and the Property and Property-related services of the Target Group simply facilitate part of the logistics services rendered by the Enlarged Group to generate income. According to the development plan of the Company as at the Latest Practicable Date, approximately 30% of Commercial Complex may be reclassified as property held-for-sale; remaining 70% of Commercial Complex together with the commercial complex to be developed in the second phase may be treated as investment property under the Enlarged Group.

As a preliminary plan, the Directors intend to lease out all floor area of the commercial complex in the second phase, but subject to the market condition and financial position of the Group, may sell certain portion of the commercial complex in the second phase in order to maintain a healthy balance of assets base, and in such case the Group will retain the operation right of the commercial complex, so that the second phase development will continuously generate building management fee income to the Group. Due to the present stagnant residential property market in Xi'an City, the Directors' current intention is to retain the apartments for lease to generate rental income. Subject to the market condition and financial position of the Group from time to time, the Directors may consider to sell certain portion of the apartments in future. The apartments are expected to generate an estimated annual rental income of approximately RMB12 million.

Considering that upon Completion, the related party loan from Ba Qiao will be eliminated. The Company considers that (i) the total required capital expenditure for the development of the second phase of the Property amounting to approximately RMB292 million of which approximately RMB81.1 million is scheduled to be incurred within one year upon the Completion; (ii) the bank loans due by the Property Management Company including (a) a 8-year long term loan of RMB 240 million ("Long-term Loan") and (b) a 1-year short term loan of RMB 30.5 million ("Short-term Loan") will be collectively settled within one year upon the Completion; and (iii) the staff loan due by the Property Development Company of approximately RMB 48 million is scheduled to be repaid within one year upon the Completion. The abovementioned funding demand is expected to be fulfilled by the internal resources, loans from banks or financial institutions or from major shareholder(s) of the Company (if necessary) and if any shortfall, by selling not more than approximately 30% of the commercial area of the Commercial Complex in the future.

Even though Chinlink • Worldport is more emphasized on warehouses and supporting areas while the Property is more concentrated on retail shops and apartments, both the properties under Chinlink • Worldport and the Property are the core elements to facilitate the value chain of logistics services in the Hanzhong City and Xi'an City respectively. They are expected to generate income for the Enlarged Group by leasing the warehouse, retail shop, office, apartment and relevant supportive areas. In the event that the Enlarged Group required working capital or the property market is favourable, the Board may consider to sell some of the aforementioned areas.

Upon Completion, the Group does not envisage any material change in the mode of operations and the existing management of the Property Development Company and the Property Management Company will remain as employees and management thereof, and continue to operate and monitor the operations of the Property Development Company and the Property Management Company. The existing management of the Property Development Company and Property Management Company comprises five persons including one general manager and four deputy general managers who has respective background in the promotion, operation, management, financial management and e-commence in relation to the business of

indoor and outdoor furniture and fixtures. The general manager has experience as a top management in a large regional conglomerate which engaged in real estate development and trading of building materials for more than twenty years. The deputy general manager (promotion) has experience in the management and promotion of a sizeable retail and wholesale shopping mall in relation to the business of furniture and fixtures for more than ten years; the deputy general manager (human resources and training) has experience in the human resources, training and management of a sizeable shopping mall of furniture and fixtures for approximately ten years; the deputy general manager (e-commence) has experience in the e-commence and management of sizeable shopping malls of furniture and fixtures for more than fifteen years; and the deputy general manager (financial management) has experience in the accounting and financial management duties in retail and manufacture sectors for more than twenty-five years. Besides, Mr. Li Weibin, the executive Director and the chairman of the Board, has around fifteen years of experience in the property development industry, is responsible for overseeing the overall financial, strategic planning and development of the logistics and the extension of such business under the Enlarged Group. He started to engage in the development of the residential and commercial buildings in Xi'an City and Hanzhong City of Shaanxi Province and the nearby districts since 2000. Based on the above, the Board is of the view that the Company will have the relevant and sufficient management expertise to manage and supervise this operation.

Based on the Valuation Report set out in Appendix VI of this circular, the first phase and the second phase developments are valued at approximately RMB1.7 billion and RMB0.1 billion respectively as at 28 February 2015. Besides, the Property Development Company has obtained the property ownership certificates for the first phase development (being the Commercial Complex) and the Land Use Rights certificate of the Land.

(ii) The Commercial Complex

The Commercial Complex has a gross floor area of approximately 190,000 square metres comprising seven-storey above ground and two basement floors, and situated on the Land. There are over 600 shops space of various sizes rented to third party tenants. The majority of the shops/tenants are wholesalers and retailers of interior building materials and home improvement products, including a wide selection of flooring and tiles, paint and wallpapers, bath and kitchen, doors, home furniture, appliances and electrical etc., under foreign and domestic brands. Approximately 43% of the tenants are selling the furniture and fixtures, 14% of the tenants are selling flooring, doors and wardrobe, 14% of tenants are selling the kitchenware and toilet ware, 14% of the tenants are selling the stone flooring and stone materials and 15% of the tenants are selling curtain, wall paper and lighting.

Each tenant is required to pay both rent and the management fee in advance based on the respective tenancy agreement and management agreement. The lease period for the tenants ranges from 0.5 year to 10 years. The monthly rent and management fee ranges from RMB4.04 per square meters to RMB105.0 square meters and RMB7.19 per square meter to RMB73.5 per square meter respectively.

The average rental income per square meter for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 were HK$14.0 per square meter, HK$11.5 per square meter, HK$16.7 per square meter respectively. The average management income per square meter for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 were HK$31.0 per square meter, HK$27.9 per square meter and HK$45.0 per square meter. The average rental income and management income per square meter increased for the year ended 31 December 2014 comparing with that in 2013. It was because higher rent were offered to the tenants instead of the more competitive price offered before when they renewed the tenancy agreement in 2014. The average rental income and management income per square meter decreased for the year ended 31 December 2013 comparing with that in 2012. It was because the Target Group would like to maintain the occupancy rate by offering competitive prices to the existing tenants when renewed their tenancy agreements.

According to the management agreement, it can be renewed only after the tenancy agreement is renewed. In order to renew the tenancy agreement, a written application shall be submitted by the lessee to the lessor three months in advance, and after the lessor agrees, both parties shall make a new tenancy agreement 30 days prior to the expiration of the original one.

During the terms of the tenancy agreement and management agreement, the lessor shall not terminate the agreements unless otherwise stated in the agreements or unless the lessee breaches the terms. If the lessor terminates the agreements, the rent and/or the management fee of the remaining period under the agreements and the security deposit shall be returned to the lessee and a compensation amount equal to 30% of the annual rental and/or the management fee shall be charged. If the lessee requests to terminate the agreements before their expiration, or in breach of the terms, the rent and/or the management fee and security deposit paid shall not be refunded and a compensation amount equal to 30% of the annual rental and/or the management fee shall be charged.

According to the Vendor and the findings in the due diligence work from PRC legal advisors, valid occupation licenses in relation to the Commercial Complex have been granted. All the tenants of the Commercial Complex have entered into valid rental agreements and valid property management agreements with the Property Development Company and the Property Management Company respectively.

The Purchaser intends to hold the majority of the Commercial Complex in the first phase as long term investment for rental income after Completion and subject to the market condition and economic performance, may realise a minor portion of the Commercial Complex within one to two years after Completion to financially support part of the construction cost of the second phase, should the market situation allow, in which case the Group's cash flow position is expected to be improved.

Analysis of overall rental income and management income

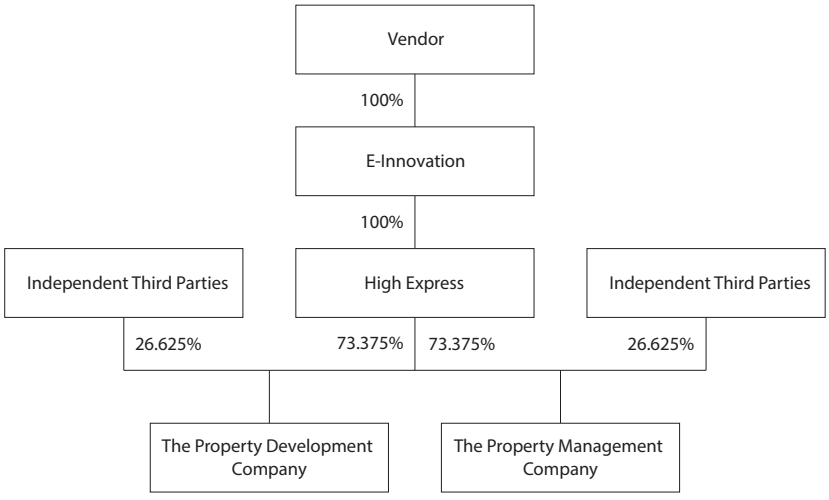
The rental income for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 amounted approximately HK$28.7 million, HK$27.6 million and HK$23.7 million respectively. The management income for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 amounted approximately HK$65.3 million, HK$69.0 million and HK$68.7 million respectively. The increase in rental and management income from 2012 to 2013 was mainly due to the results for the year ended 31 December 2012 only covered eight months from the completion of the Commercial Complex in April 2012 while the results for the year ended 31 December 2013 covered twelve months.

Comparing the rental income recorded in 2013 and 2014, slight increase in 2014 was noted as the Property Development Company offered competitive prices to the tenants when they renewed the tenancy agreements in 2013. Besides, when comparing the management income recorded in 2013 and 2014, slight decrease was noted as the effect of the decrease in occupancy rate outweighed the effect of the price increment charged to the tenants when they renewed the management services agreements in 2014. Details of the analysis is set out in Appendix IV "Management Discussion and Analysis of the Target Group" in this circular.

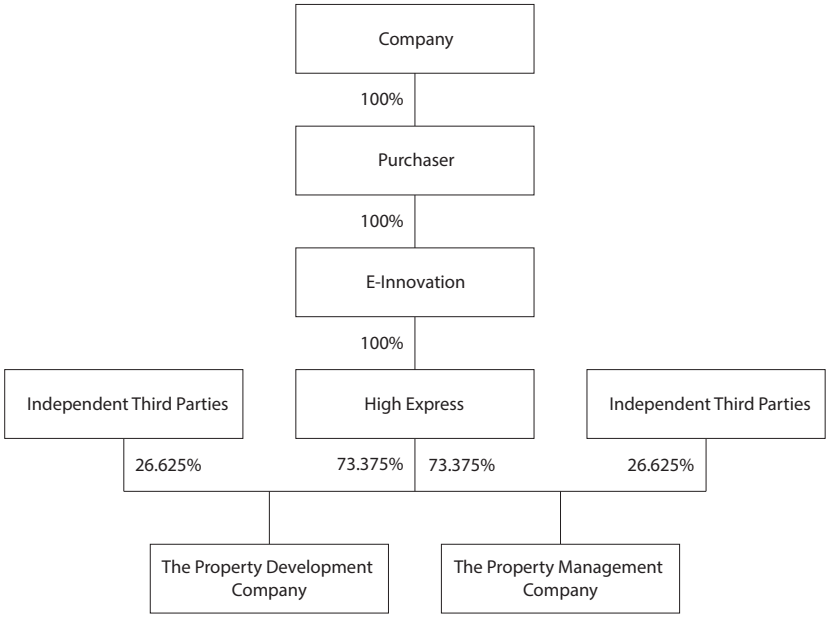
The Acquisition

As at the Latest Practicable Date, High Express holds 73.375% equity interest in the Property Development Company and 73.375% equity interest in the Property Management Company. The below charts illustrate the structure of the Target Group: (i) as at the Latest Practicable Date; and (ii) immediately upon Completion:

As at the Latest Practicable Date:



Immediately upon Completion:



Financial information of the Target Group

Set out below is the summary of the audited consolidated financial information of the E-Innovation Group for the period from 7 July 2014 (date of incorporation) to 31 December 2014:

	For the period from 7 July 2014 (date of incorporation) to 31 December 2014
	HK$'000
Revenue	–
EBITDA	(32)
Loss before taxation	(32)
Loss after taxation	(32)

	As at 31 December 2014
	HK$'000
Net liabilities	(32)

Set out below is the summary of the audited financial information of the Property Development Company for the three years ended 31 December 2014:

	For the year ended 31 December 2014	**For the year ended 31 December 2013**	**For the year ended 31 December 2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	28,720	27,642	23,700
EBITDA	17,937	15,042	10,414
Loss before taxation	(24,885)	(24,086)	(4,006)
Loss after taxation	(24,885)	(24,446)	(4,467)

	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
Net assets	339,893	373,689	387,531

Set out below is the summary of the audited financial information of the Property Management Company for the three years ended 31 December 2014:

	For the year ended 31 December 2014	For the year ended 31 December 2013	For the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
Revenue	65,270	68,972	68,733
EBITDA	35,650	42,012	30,541
Loss before taxation	(17,640)	(15,960)	(136)
Loss after taxation	(17,640)	(16,263)	(730)

	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
Net assets	62,731	82,256	96,002

Note:

(i) There are total five directors in the board of the Property Management Company and the Property Development Company respectively. For both entities, among the five directors, three are appointed by the Target Company and other two are appointed by the minority shareholders. The board of directors ("the Board") of both the Property Management Company and the Property Development Company is the party to direct the "relevant activities" (i.e. the activities that significantly affect the returns to shareholders/beneficial owners). All decisions in relation to the relevant activities have to be passed through the Board. Over half of the votes can pass the resolutions (excluding termination or dissolutions of the Company, increase or decrease in capital, merger and acquisition etc.) proposed in the board meeting. The quorum requires attendance of at least four directors in the meeting for both entities and either the director appointed by the minority shareholders has to attend the board meeting. In case the Target Company would like to propose any resolution in the board meeting, it must be able to have sufficient quorum for the board meeting and sufficient votes held by the Target Company. The Company's Board considers the Company has power to direct the "relevant activities" and affect the investor's returns from its involvement. Accordingly, the Company's Board considers that the Property Management and the Property Development Company will become the subsidiaries of the Company. Hence, their accounts will be consolidated into the Company's consolidated financial statements.

(ii) Based on the above assessment by the Company's Board that the Company has the power to control the relevant activities of Property Management Company and Property Development Company, the reporting accountants consider that both companies will become subsidiaries of the Company upon acquisition and results will be consolidated into the Company's consolidated financial statements in accordance with HKFRS 10.

Other Information of the Target Group

Compliance Record

During the course of due diligence review and investigations on the members of the Target Group conducted by the Company and its advisers, the Purchaser has identified certain non-compliance issues in relation to the Target Group which may be relevant to the Shareholders in considering the Acquisition, and listed as follows:

Social Insurances and Housing Fund Contributions

The Vendor represented that Ba Qiao and Tang Rong have not settled certain portion of the liabilities of social insurances and did not make adequate contributions to housing fund contributions as required by relevant laws for all of its employees from the year 2011 to 2014. The main reason for such non-compliance, according to the Vendor, was mainly due to high mobility of its workers. As advised by the Company's PRC legal advisers, the relevant penalties from non-payment of social insurances and housing provident fund include settlement of outstanding social insurances and house provident fund payments and a fine of approximately 0.05% for each day of the outstanding social insurances and housing provident fund contributions counting from the relevant original payment due day.

According to the Vendor, Ba Qiao and Tang Rong have not experienced any material claims from employees who had resigned. As estimated by the management of the Target Group, a provision of relevant contribution in the amount of approximately RMB5.66 million has been made which has been included in other payables in the accountants' reports of Ba Qiao and Tang Rong as set out in Appendix II. In view of the foregoing, the Directors consider that the potential financial impact of such non-compliance will not be material, compared with the overall financial position of the Target Group.

Construction work carried out without construction permit

The Vendor represented that Tang Rong had constructed new warehouse of approximately 2,000 square meters on the Property without applying for construction permit. According to the requirements of the PRC law, for construction work that proceeded without a construction work planning permit being granted, the Urban and Rural Planning Administrative Department at or above the county level can order the termination of such construction.

If the impact of the construction work on the urban and rural planning can be eliminated by corrective measures, the relevant department shall order such construction unit to make a correction within a prescribed time limit and pay a fine of 5% -10% of the construction cost. In the event that such impact cannot be eliminated, the department shall order the construction unit to demolish such buildings or structures. For construction work that cannot be demolished, the department shall confiscate such buildings or structures or seize any illegal income and may also impose a fine not more than 10% of the construction cost.

The Target Group has made full provision for the potential administrative penalty in the amount of approximately RMB0.96 million which has been included in other payables in the accountants' report for the year ended 31 December 2012 of Tang Rong as set out in Appendix IIB The Directors consider that the potential financial impact of such non-compliance will not be material.

Measures to limit potential losses and damages

(i) Indemnity for potential litigation and potential cost

Pursuant to the terms of the S&P Agreement, the Vendor and the Guarantors will execute a deed of indemnity in favour of the Purchaser and the Target Company upon Completion, whereby the Vendor and the Guarantors will covenant to indemnify loss(es) which may be suffered and incurred by the Target Group by reasons of, including but not limited to, the non-compliances occurred prior to Completion and potential litigations relating thereto.

(ii) Ratification of the non-compliance events

The Company has also been in the course of negotiating with the Target Company on rectifying the non-compliances of the Target Group since the non-compliances are discovered and in the event that any non-compliances that could not be rectified prior to Completion, the Enlarged Group will continue to take out necessary steps to rectify all the non-compliances after Completion to the extent that such non-compliances could be rectified.

(iii) Control measures to prevent similar non-compliance events in the future

The in-house legal counsel of the Group will provide legal advice on new project/ transaction to identify the relevant rules and regulations and will monitor the progress of compliance and report to the management of any irregularities in a timely manner. The Group will engage external advisers to advise the Group on relevant matters if needed. The Target Group will also check regularly the staff record and the Target Group's payment record on social insurance and housing provident and will report to the management on regular basis.

Insurance

The Target Group maintains insurance policies with an insurance company in the PRC, which cover property damage due to natural hazards (including lightning, typhoons, tornados, floods, landslides, earthquakes and other natural phenomena) and accidents (including fire and explosion and general liability) under property all risk insurance and public liability insurance. The insurance period covered one year from 30 September 2014 to 29 September 2015 and the maximum claims amount for the Property Development Company and the Property Management Company are approximately RMB 289 million and RMB76.2 million respectively. As at the Latest Practicable Date, the Enlarged Group did not have any material outstanding or pending claims in respect of the insurance policies maintained by the Enlarged Group, nor any disputes with its insurers. The Directors believe the Enlarged Group's properties are covered with adequate insurance provided by the reputable independent insurance company and with commercially reasonable deductibles and limits on coverage, in line with industry practice.

Risk Management

Maintaining high occupancy rate

The performance of the Target Group is highly affected by the occupancy rate. In order to maintain high occupancy rate, the Target Group maintains good relationship with the existing tenants and provides quality services in response to their needs for retention of existing tenants. The Target Group manages lease renewals proactively to minimize downtime arising and conducts various marketing campaign to increase the awareness of the Commercial Complex to attract shoppers and new tenants.

Change in relevant rules and regulation from time to time

The in-house legal counsel of the Enlarged Group will keep abreast of the relevant rules and regulations which may vary from time to time. The Enlarged Group will engage external advisers to advise the Enlarged Group on relevant matters if needed.

Capital Sufficiency

The Enlarged Group will prepare financial forecast, working capital forecast to monitor the capital needs and the Enlarged Group will maintain good banking relations and will keep updated on the property market and capital market status to ensure responsive measures are taken to improve the financial position of the Enlarged Group and funds can be raised when needed.

3. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the those of the Group.

Appendix V to this circular presents the unaudited pro forma financial information of the Enlarged Group and describes the basis of preparation thereof.

Assets and liabilities

As set out in Appendix V to this circular, the unaudited pro forma consolidated statement of financial position of the Enlarged Group illustrates the effect of Completion on the Group, assuming that the Acquisitions had taken place on 31 March 2014. If the Acquisition had been completed on 31 March 2014, the total assets of the Enlarged Group as at 31 March 2014 would have been increased from approximately HK$707.6 million to approximately HK$2,787.4 million primarily attributable to the consolidation of the assets in the Target Group. The total liabilities of the Enlarged Group as at 31 March 2014 would have been increased from approximately HK$604.7 million to approximately HK$1,717.0 million primarily attributable to the consolidation of the liabilities in the Target Group, the issue of the Bond and considerable payable. The Enlarged Group would have cash and bank balances of approximately HK$35.3 million. It is expected the Acquisition will not have any substantial adverse impact on the Group's cash flow position or its business operations and the Acquisition will not add immediate financial burden to the Group.

Earnings

Following Completion, members of the Target Group will become either wholly-owned or non-wholly owned subsidiaries of the Company and the Group will be able to consolidate the results of the Target Group. The loss attributable to the owners of the Company for the year ended 31 March 2014 as extracted from the 2014 annual report of the Company was approximately HK$90.3 million. According to the unaudited proforma income statement of the Enlarged Group as if the Acquisition had been completed on 1 April 2013, the proforma profit attributable to the owners of the Company would have been approximately HK$271.2 million.

Gearing

The Group's gearing ratio on the basis of a ratio of the Group's total borrowings over total assets was approximately 0.85 as at 31 March 2014. According to the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma gearing ratio of the Enlarged Group would have been decreased to approximately 0.62 as if the Acquisition had been completed on 31 March 2014.

Financing of the Acquisition

The Consideration will be satisfied partly in cash, partly by the issue of Consideration Shares and partly by the issue of the Bond.

The Company expected that the cash portion of HK$480,000,000 in total will be funded by internal resources of the Company and loan from Independent Third Party. The issue and allotment of aggregate 398,009,950 Consideration Shares at an issue price of HK$0.5025 will settle HK$200,000,000 of the Consideration. And the issue of the Bond in the principal amount of HK$120,000,000 will settle the respective part of the Consideration.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in trading of furniture and fixtures and interior decoration works in Hong Kong and Macau, financing guarantee services (including financing guarantee services and relevant consultancy services) and logistics services.

As disclosed in the previous interim and annual reports of the Company, the traditional interior decoration business and trading of furniture and fixtures business keep on losing momentum, hampered by the slowing market for luxury consumption in Hong Kong and Macau. Despite that the revenue of interior decoration work business segment is comparatively stable, the gross profit margin decreased due to the increase in material and subcontracting fee. The Company will closely monitor its performance and continuously assess its prospect and may consider downsizing them to be in line with the repositioning of the Group. The revenue of trading of furniture and fixture business segment has been decreasing in the past few years and it recorded loss for the year ended 31 March 2014. The Company is contemplating to scale down or divest this operation but there is no concrete plan as at the Latest Practicable Date.

The Company will continuously seek for business development opportunities including but not limiting to acquiring business or material assets which can create synergy to the existing businesses in order to expand the Group's revenue base and maximize Shareholders' value. In order to enhance the stability of investment risk and return on, particularly investment properties, the investment policy of the Company sets out several criteria for the employees of the Company to consider while making such investment decision. For each of the potential acquisition of investment properties, the Company has to conduct feasibility study including (i) historical financial performance analysis; (ii) valuation of material assets; (iii) prospects of the target; (iv) possible synergy effect with the existing business of the Group; (v) potential risk factors; (vi) SWOT analysis and (vii) the estimate on funding needs and the source of funding. Upon the preliminary review on the items above, if the management considers the acquisition is feasible, due diligence on the target in legal, financial and business aspects will be conducted. When the management is satisfied with the due diligence results subsequently, the investment proposal is put forth to the Board for approval. Likewise, when the Company considers divestment opportunities, feasibility study will be carried out in the aspects of (1) estimated financial impact on the Group; (2) the valuation of material assets; (3) impact on the core competency of Group;

(4) potential risk factors; (5) SWOT analysis and (6) the demand of the sale proceed upon divestment. However, as at the Latest Practicable Date, save for the Acquisition, no other investment or acquisition target has been identified.

According to the interim report for the six months ended 30 September 2014 of the Company, the financing guarantee and logistics businesses contributed promising results to the Group. In particular, the financing guarantee services division was growing rapidly and became one of the major revenue contributors. Therefore, the Company will focus on the financing guarantee and logistics business segments in the future. The Group will focus its resources in developing its logistics services, including the development of logistics centres in the PRC and its financing guarantee services.

Since 2013, the Group, through its wholly-owned foreign enterprise in PRC, Chinlink Supply Chain Services (Shaanxi) Company Limited, has been providing integrated logistics services including storage and inventory management, load and unload, pick and pack, transportation and distribution, sourcing and fulfillment etc. to clients in the three trade and distribution centers for building materials and home furnishing products in Xi'an City. All these logistics services are supported by the Group's IT system that includes warehouse management system, transportation management system and logistics park management system.

At the end of September 2014, the Group further launched an e-commerce platform, which is known as iHome E-Commerce Platform, to sell packaged interior fitting materials and furnishing products which is complementary to the Group's logistics business. The Group believes that it can further contribute to and broaden the Group's revenue and will seek for opportunities to expand this business.

As disclosed in the Company's annual report for the year ended 31 March 2014, in light of the toughened operating environment of trading of furniture and fixtures and interior decoration works in Hong Kong and Macau, in particularly for the high-end retail shops, hotels and residential apartments, the Group has been diversifying its business into the financing guarantee services and logistics services businesses in the PRC since 2013. The financing guarantee services and logistics services businesses have been developing in a satisfactory phase throughout these years and have contributed promising results for the six months ended 30 September 2014. The Board considers it beneficial to the Group to further strengthen these business segments by various means. In the second quarter of 2014, the Group was awarded the tender of a land at Baohe Logistics Zone, Hantai District, Hanzhong City, Shaanxi Province for the first phase of Chinlink • Worldport, which is to be developed into a new building material trade centre with complete logistics support facilities. Construction works for the first phase of Chinlink • Worldport is in full swing as at Latest Practicable Date. This project will include a building material distribution and trade centre fully equipped with storage and truck loading facilities and other ancillary facilities including apartments, restaurants and office buildings. Upon the special approval from the Xi'an City Custom, there will be two bonded warehouses with supporting customs clearance service to handle import and export and bonded logistics. The first phase of the

Chinlink • Worldport is scheduled to be in operation before the end of 2015. Saved as disclosed above, the Group does not have any other material acquisition or disposal for the past twelve months prior to the Latest Practicable Date.

The Board considers that the Acquisition provides a great opportunity for the Group to diversify its trade and distribution center operation base while it will complement to the Group's existing business in relation to the trading of furniture and fixtures, financing guarantee business and logistics businesses. Regarding the first phase of the Property, the Directors consider that the Commercial Complex would provide a great opportunity for the Company to broaden the customer base for the financing guarantee business and logistics business in Shaanxi Province. The shopping mall to be developed in the second phase will also create a similar synergy effect to the Company. In addition, the apartments of the second phase development will be an auxiliary part of the operation of the two commercial complex to cater for the need of those tenants of the Property.

The development of the Property is part of the Group's business expansion in the logistics business. Both the Chinlink • Worldport and the Property will generate income from sales of properties, rental income, management fee income and logistics services income. Since they are still under development, such income has yet to be reflected in the Company's financial statements under the existing logistics business of the Group. Through the Acquisition, the Company can speed up the growth of the existing logistics business of the Group.

The Commercial Complex is located at one of the most prosperous districts in Xi'an City, the capital city of Shaanxi Province. Riding on the high economic growth driven by PRC's continuous emphasis on the development of northwestern China, the New Silk Road Economic Belt Programme and the growing urbanization of the surrounding regions, the Directors consider the Commercial Complex can be further developed into a leading base in Xi'an City for the wholesale distribution and retail of interior building materials, home improvement and furnishing products.

In light of the improving living standard and growing purchasing power in the region and riding on the relevant experience of its management, the Group plans to upgrade the Commercial Complex by introducing new international reputable branded product distributors and optimize its tenant mix to enhance its market status and earning potential. As such, the Group expects that the capital expenditure required to upgrade the Commercial Complex will not be significant.

In line with the Group's new array into e-commerce operation, certain area of the Commercial Complex will be converted into an online to offline platform, acting as a showcase window to improve online customers' experience and engagement, and to create new sales channel for the tenants of the Commercial Complex.

Since the Commercial Complex has, as at the Latest Practicable Date, already secured a stable tenant base of over 600 independent tenants involved in the retail and wholesale of interior building materials and home improvement products, this will be a captive customer base for the Group's logistics and financing services which share the similar customer base.

The Board believes that the Acquisition is an extension of the logistics and the financing guarantee businesses as the tenants of the Commercial Complex expand the customer base of the logistics and financing guarantee businesses. As mentioned above, the majority of the shops/ tenants are wholesalers and retailers of interior building materials and home improvement products, they require warehouse and transport operation services for their business operation. Also, they can pledge their inventory for the financing guarantee services in order to have sufficient working capital to run their business, if they so need.

Through the Acquisition, the Group will be able to acquire a team of experienced management professionals who can contribute to the Group's further development in logistics park and trade and distribution center operations.

In view of the above business synergies and the stable income stream generated from the rental and management fees, the Directors are of the view that the Acquisition will further strengthen the Group's new business positioning and revenue source in the future, and are in the best interest of the Group and the Shareholders as a whole.

Enlarged Group's program to the Target Group

After completion of the construction of Commercial Complex, in order to achieve a high occupancy rate, the Target Group strategically lowered the rental fee and management fee to attract anchor tenants, which would contribute promotion effect to the Commercial Complex. After Completion, the Enlarged Group will strive for high occupancy rate of the Commercial Complex, persistent growth in per floor area rental and management incomes and reasonable cost saving through a series of program to be carried out by the Enlarged Group. The program will include (i) zone planning and optimization of tenants' mix for each sector of the Commercial Complex; (ii) the introduction of new international reputable brands to the Commercial Complex; (iii) the improvement of effectiveness and efficiency of marketing campaign to strengthen the branding of Commercial Complex in the province; (iv) the adoption of various measures to tighten the overhead cost by streamlining the manpower utility rate; and (v) the refinancing of the existing bank and other loans to reduce high interest bearing loans. In view of the abovementioned program and taken into consideration that a reasonably large portion of the rental and management contracts can be renewed with a considerable increment to the rental and management income, the management of the Enlarged Group considers that the program would be beneficial to the Company and the shareholders as a whole.

5. BUSINESS STRATEGIES OF THE ENLARGED GROUP

The Enlarged Group maintains its business focus in supply chain logistics and financing services, including the development of logistics parks and trade centers and shopping centers and diversifications into related e-commerce business in Shaanxi Province. The business strategies of the Enlarged Group include the following:

(i) Cross-selling strategy to existing customers of the Enlarged Group

The Board considers that the business model of the Property shares the same segment and same target customers of the Group's existing logistics and financing guarantee services in the region. Upon Completion, the Company will strive for the cross-selling potential by marketing the respective products or services of the Target Group and the Group to the respective existing customers.

(ii) Strengthening the Enlarged Group's corporate image

After Completion and with the commencement of operation of the Chinlink•Worldport expected to be in late 2015, the Enlarged Group will launch various marketing campaigns which aim to enhance its marketing share and formulate a distinctive corporate image as one of the major comprehensive logistics providers with its own commercial complex and logistics park in Shaanxi Province.

(iii) Focusing its expansion on the PRC market

In the near future and after Completion, the business of the Enlarged Group will be focusing on the PRC logistics market given the favourable market condition and economic policy in the PRC, in particular the Shaanxi Province. Whereas comparing the difficult business environment for interior decoration work and trading of furniture in Hong Kong nowadays due to various property market cooling measures carried out by the Hong Kong Government, the development potential in the PRC for the Enlarged Group is considered to be more promising. As such, the downsizing of the Enlarged Group's interior decoration work and trading of furniture business may be necessary in order to enhance the value of the Shareholders so as to focus its resources in developing the Enlarged Group's business.

6. COMPETITIVE STRENGTHS OF THE ENLARGED GROUP

The Company considered the followings are the core competitive strengths of the Enlarged Group:

(i) Excellent local market presence and solid customer base

The Target Group offers an enlarged client base for the Group's comprehensive logistics and financing services which is also in the same line of business and operation module as the other logistics and trade centers which the Group has already been serving in the past few years. The Company believes that, at the same time, the extensive exposure in the logistics and financing market in the region could enhance the customer base of the Commercial Complex and the commercial complex in the second phase development.

(ii) Diversified portfolio of various business in the same region, creating balanced revenue drivers with cross-selling potential

Upon Completion, the Enlarged Group will enjoy steady rental and management fee income generated from the Property in addition to those existing income sources. Also, considering that the business model of the Property shares the same segment and same target customers of the Group's logistics and finance business in the region, cross-selling by marketing the respective products or services of the Target Group and the Group to the respective existing customers is possible and synergy could be created.

(iii) Experienced management

Key management of the Enlarged Group possess proven track record in the development of large scale commercial and residential real estate projects. The executive Director and the chairman of the Board, Mr. Li Weibin, has around 15 years of experience in the property development industry. He started to engage in the development of the residential and commercial buildings in Xi'an City and Hanzhong City of Shaanxi Province and the nearby districts since 2000. The management of the Target Group has strong background in the property development, operation and management of shopping centre specialized in interior and home improvement and furnishing products.

Based on the above, the Board is of the view that the Company will have the relevant and sufficient management expertise to manage and supervise the development of Enlarged Group.

7. SHAREHOLDING STRUCTURE AS A RESULT OF THE ACQUISITION

Set out below is the summary of the shareholding structure of the Company (i) as at Latest Practicable Date; and (ii) immediately upon Completion (assuming no further Shares will be issued or repurchased between the Latest Practicable Date and the Completion Date):

	As at the Latest Practicable Date		Immediately upon Completion	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Wealth Keeper International Limited *(Note)*	1,546,303,160	67.71	1,546,303,160	57.66
Vendor	–	–	398,009,950	14.84
Public Shareholders	737,363,709	32.29	737,363,709	27.50
Total	2,283,666,869	100.00	2,681,676,819	100.00

Note: The entire issued share capital of Wealth Keeper International Limited is wholly and beneficially owned by Mr. Li Weibin, an executive Director and the chairman of the Board.

8. IMPLICATION OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The issue of the Consideration Shares under the S&P Agreement is subject to the Specific Mandate to be sought from the Shareholders at the SGM.

As Completion is subject to the fulfillment or waiver (as the case may be) of various conditions precedent as set out in the S&P Agreement, the Acquisition and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SGM

A notice convening the SGM to be held at 7/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Thursday, 21 May 2015 at 9:00 a.m. is set out on pages SGM-1 to SGM- 3 of this circular to consider and, if thought fit, to approve (i) the S&P Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to allot and issue the Consideration Shares. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the S&P Agreement. Therefore, no Shareholder is required to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed with the circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned thereof should you so wish. Voting on the proposed resolutions at the SGM will be taken by poll.

RECOMMENDATION

The Directors consider that the terms of the S&P Agreement and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

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

Your faithfully,
On behalf of the Board
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

RISK FACTORS

The investment in the Target Group is subject to a number of risks which include but not limited to those set out below.

If the Target Group fails to develop the Land according to the land use right grant terms, its land use rights may be subject to repossession by the PRC Government

Under PRC law, if a developer fails to develop land in accordance with the terms of the relevant land grant contract (including those relating to payment of fees, designated use of the land and time for commencement and completion of the development), the relevant government authorities may issue a warning to or impose a penalty on the developer or in the worst case scenario, resume possession of the land.

The Company may encounter difficulties in partial realisation of the Commercial Complex, as needed, to fund the second phase development of the Land

The second phase development of the Land is capital intensive. The Company has stated that it will realise a minor portion of the Commercial Complex for such development. While the Company also envisages that as the Land is being developed going forward, it will generate pre-sale and sale proceeds which can then be applied to fund further development the Land, there is no assurance that such pre-sale and sale proceeds will come in such time frame which synchronises with the development schedules of the Land, or will be sufficient to fund the development of the Land, or that there will not be restriction from new PRC laws and regulations to the pre-sale of properties or apply pre-sale proceeds to fund the further development of the Land.

The success of the retail and wholesale mall is subject to a number of risks and uncertainties, and may have material impact on the further phased development of the Property

As stated in the Letter from the Board in this circular, the Group intends to upgrade the Commercial Complex in the first phase of the Property by introducing new international reputable branded product distributors and optimize its tenant mix to enhance its market status and earning. Likewise, in the commercial complex in the second phase, the Group expects to have an optimized tenant mix with quality and popular tenants. The success of malls is subject to a number of risks and uncertainties, including but not limited to, the attractiveness to quality and popular foreign and/or domestic brands to set up shops in the retail and wholesale mall, the ability to successfully implement marketing strategies to encourage and attract visitors and consumers to the retail and wholesale mall, difficulties to anticipate, identify and interpret the habits and tastes of the target consumers, increase in online shoppers, and delay in the development of surrounding residential, commercial and hospitality properties and facilities. These factors may have negative impact on the business and popularity of the existing Commercial Complex and the planned commercial complex in the second phase development of

the Land. There is no assurance that the Target Group can successfully attract famous and quality brands, and/or successfully attract visitors and consumers to the retail and wholesale mall. If the Target Group fails to do so, the second phase development of the Property may be materially and adversely affected.

The Target Group is subject to multiple regulations of the PRC Governmental authorities. Any non-compliance with these regulations or failure to obtain necessary government approvals for property development, management, leasing, sale or operations may have a material and adverse effect on its business, financial condition and results of operations

The business of the Property Development Company and the Property Management Company is regulated by various PRC Governmental authorities and departments. In order to develop, manage, lease, sale and operate a commercial property, they must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the development, leasing, sale, as well as for rental apartment operations, such as land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each grant of such certificates, licenses and approvals is dependent on the satisfaction of certain conditions. There is no assurance that the Target Group will receive such approval in a timely manner, or at all, or that it will not encounter other serious difficulties in the future. In addition, each of the companies within the Target Group is required to obtain various licenses for the operations (if any) of their respective scope of business and renew them on an ongoing basis. Any failure to obtain, or material delays in obtaining, the necessary government approval for any of its development project, or any withdrawal, suspension or non-renewal of any of their licenses, or the imposition of any penalties as a result of any infringement or non-compliance with any requirement of any of their licenses, could adversely affect their respective business and financial conditions. Further, any changes in laws and regulations, or the imposition of any new laws and regulations, may also have an impact on their businesses and result in higher costs of compliance.

Volatility in the prices of construction materials could adversely affect the Target Group's cash flow

The cash flow of the Property Development Company and, accordingly, the Target Group are affected by volatility in the prices of construction materials. The cost of construction materials is expected to constitute a substantial proportion of the Property Development Company's capital expenditure on the second phase development. The cost of raw materials, including cement, iron, steel and other key building materials have been high and rising largely due to the booming Asian economies. Although the Property Development Company may adopt various cost control measures, it is still subject to unpredictable movements in the prices of construction materials. There is no assurance that the prices of raw materials will remain stable in the near future or that the prices of raw materials will remain at an acceptable level. If the prices of raw materials are increased which leads (to overall) capital expenditure exceeding the budget, it may worsen the cash flow of the Target Group.

Delay in completion of the second phase development of the Land

Subject to market condition and financial position of the Group, the Company may sell a certain portion of the commercial complex and the apartments of the second phase development of the Land in the future. The second phase development of the Land requires substantial capital expenditures prior to and during the construction period, and it may take a long time before the Target Group may generate positive cash flow through pre-sale or sale. The progress and costs for development can be adversely affected by many factors, including but not limited to:

- delays in obtaining necessary licenses, certificates or approvals from government agencies or authorities;
- demolishment of existing structures;
- shortage of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural disasters; and
- adverse weather conditions.

Construction delays or failure to complete the construction according to its planned specifications, schedule or budget or at all as a result of the above factors may affect the Target Group's result of operations and financial position and may also cause reputational damage. There is no assurance that the Target Group will not experience any significant delays in completion or delivery of the development or that it will not be subject to any liabilities for any such delays.

The Target Group may rely on external construction contractors

The Property Development Company does not carry out the construction works for the second phase development of the Land, but engage either third party contractors with relevant qualifications, certified engineering supervisory companies, service providers and suppliers to provide the construction and related services and various types of construction materials and other services such as design and interior decoration. However, it cannot be assured that the services rendered by any of these third party contractors will always be satisfactory or match the Target Group's requirements on quality or that they can complete the development on time, or at all. If such third party contractors cannot deliver satisfactory services, the Target Group might incur additional costs for completing the relevant works, be liable to its purchasers for delays arising from contractors' delay or unsatisfactory quality and suffer reputable harm as well as the delay in the operation of the commercial complex and residential apartments, which may have a material adverse effect on its business, financial condition and results of operation.

Changes in the fair value of the Property may have a significant impact on the Target Group's results of operations

Under the accounting policies adopted by the Company which comply with Hong Kong Financial Reporting Standards, the Target Group is required to reassess the fair value of the Property upon Completion based on the fair value to be determined by a professional valuer using the acquisition method. The fair value of the Property at the date of Completion will be subject to certain factors which the Target Group cannot control, including but not limited to the fluctuation in the property price and exchange rates. Any significant increase in the fair value of the Property at Completion may lead to an increase in the deferred tax liabilities of the Target Group. Material fluctuation of it can have a material effect on the amount of gain on bargain purchase that may be recognised by the Company at Completion. Besides, there is no assurance that the fair value of the Property will not be less than the amount the Target Group will receive in actual sales of the Property (or the relevant property assets thereunder) in the future. Any significant decrease in the amount that the Target Group receives in actual sales of the Property (or the relevant property assets thereunder) as compared to the corresponding fair value estimated would materially and adversely impact on the Target Group's results of operations.

Insufficient management experience in commercial and residential development

The Acquisition may bring along an investment in commercial and residential property development, as part of the logistics business, in Shaanxi Province in which the Group did not have substantial business presence and experience in the past. The existing management team of the Group, except for Mr. Li Weibin, may not have adequate experience and the Group may not be able to control certain risks related to the rapid expansion into this new segment. Such risks include but are not limited to risks relating to conducting property development business in Xi'an City and risks of reliance on key management personnel who are familiar with such geographical location. It is also difficult for the Group to be assured that any return or benefits be received from the Acquisition can be in accordance with the existing business plan and estimation made by the Group. The Company may not recover the funds and resources it has or will be utilized, and this may adversely affect the Company's financial position.

Property development business operations are highly regulated and are subject to extensive PRC national and local laws and regulations, and the Enlarged Group is particularly susceptible to changes in policies related to the real estate industry in China.

The Target Group's business activities are extensively regulated by policies and other laws and regulations of the PRC government. Development of properties requires approvals, licenses or permits from the relevant national and local governmental authorities, including without limitation, land title documents, construction work planning permits, pre-sale permits (if applicable) and certificates or confirmations of completion and acceptance for the development of properties. Each approval is dependent on the satisfaction of various conditions as set forth in the PRC laws and regulations from time to time, including policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as property financing and taxation and foreign investment. Various political, economic and social factors may lead to adjustments and changes of such policies.

It may not be assured that the Enlarged Group will not encounter major problems in obtaining the necessary approvals or fulfilling the conditions precedent to the receipt of relevant approvals, or that the Enlarged Group will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the business activities or the particular processes with respect to the granting of the approvals in relation to the Target Group. Changes required by regulatory authorities could also involve significant costs and delay or prevent the completion of the Enlarged Group's projects or could result in the loss of existing licenses, permits or authorizations, any of which may have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

The profitability of the Property maybe affected by regional factors of Xi'an City

The Property is located in Xi'an City, Shaanxi Province. The profitability in relation to both phases of the development of the Property could be negatively affected by the regional factors of Xi'an City or Shaanxi Province, including general economic conditions, local regulatory rules or decisions, local competition, demand for commercial and residential properties. Any changes in these factors may affect the profitability of the Property and could be materially and adversely affect the results of the Enlarged Group's operations.

Property market sentiment

Although the Commercial Complex which is the first phase development of the Property recorded an occupancy rate of over 91% as at the Latest Practicable Date, unlike other classes of real estate such as hotels, the rental of retail premises by their nature generally relies heavily on the promotion force to maintain its popularity in the region in order to keep the high occupancy rate and reasonable rental income per square metre. The Enlarged Group may not be able to carry out such scale of extensive and regular marketing campaign at all times. In the event that the Commercial Complex experiences volatility in its occupancy rate and/or rental income per square metre, it could negatively impact the results of operations

Reliance on key management

The past success of Target Group has been largely dependent on its key management personnel. In particular, the daily operation and strategic planning of Target Group to a large extent depend on the technical know-how and managerial experience of its key management team. For the Group, among the management of the Group, Mr. Li Weibin is the only director who has extensive experience in relation to the development of commercial and residential properties. The continual growth of the business of Enlarged Group depends on the retention of its existing key management personnel and the recruitment of additional personnel. It cannot be assured that its existing personnel will remain employed within Enlarged Group. If Enlarged Group loses any member of its key management personnel and fails to find a suitable replacement, the current operations and future growth prospects of Enlarged Group may be adversely affected.

Joint Venture Structure

High Express, the wholly owned subsidiary of Target Company has entered into the sino-foreign equity joint venture agreements with several PRC entities for the formation of Property Development Company and the Property Management Company. The sino-foreign equity joint venture agreements cover the respective duties for among joint venture partners to facilitate the development of the Property. Upon Completion, any failures or delays of the joint venture partners in fulfilling their respective obligations and responsibilities pursuant to the sino-foreign equity joint venture agreements may interrupt the development of the Commercial Complex and the second phase development of the Property, which may adversely affect Target Group's results of operation, financial condition and reputation. The Enlarged Group considers that it may not be impossible for the failures or delays of joint venture partners in fulfilling their respective obligations and responsibilities which adversely affect the operation results of the Target Group.

MAJOR ECONOMIC INDICATORS

With the effect of various macro-economic policy adjustment and control measures, China's GDP maintained high-level growth in the past few years to RMB56,884.52 billion in 2013 from RMB26,581.03 billion in 2007, representing a CAGR of 13.5%. According to the National Bureau of Statistics of China, China became the world's second largest economy in terms of nominal GDP in the second quarter of 2010.

Guided and driven by the macro-economic policies of the government, fixed asset investment maintained steady growth. China's total fixed asset investment reached RMB44,707.4 billion in 2013. China's per capita disposable income of urban residents grew significantly to RMB26,955 at the end of 2013 from RMB13,786 in 2007. Strong growth of disposable income indicates the increasing willingness to spend and the significant increase in purchasing power of urban residents.

Major economic indicators in the PRC

	2007	2008	2009	2010	2011	2012	2013	CAGR (2007-2013)
GDP *(RMB billion)*	26,581.0	31,404.5	34,090.3	40,151.3	47,310.4	51,947.0	56,884.5	13.5%
Total fixed asset investment *(RMB billion)*	13,732.4	17,282.8	22,459.9	25,168.4	31,148.5	37,469.5	44,707.4	21.7%
Foreign direct investment *(US$ billion)*	74.8	92.4	90.0	105.7	116.0	111.7	117.6	7.8%
Per capita disposable income of urban residents *(RMB)*	13,785.8	15,780.8	17,174.7	19,109.4	21,809.8	24,564.7	26,955.1	11.8%

Source: National Bureau of Statistics of China

ECONOMIC INDICATORS OF RETAIL INDUSTRY

According to the Outline for the Twelfth Five-Year Plan for National Economic and Social Development*(國民經濟和社會發展第十二個五年規劃綱要)issued by the PRC government, boosting domestic demand will become a long-term strategic goal of the PRC government. It will shift its economic growth model from heavy reliance on investment and export to focusing on domestic consumption, which is set to become the strongest driver for the PRC economic growth.

Major economic indicators of the PRC retail industry

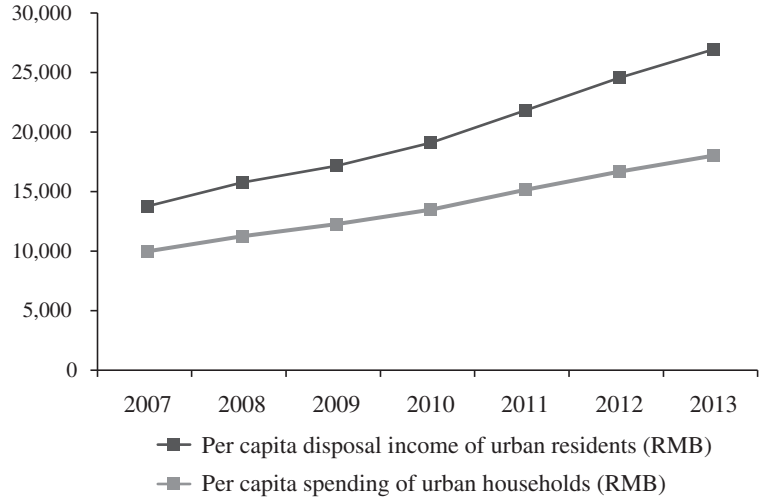
	2007	2008	2009	2010	2011	2012	2013	CAGR (2007-2013)
Total retail sales of consumer goods *(RMB billion)*	9,357.2	11,483.0	13,267.8	15,699.8	18,391.9	21,030.7	23,781.0	16.8%
Per capita consumer spending of urban households *(RMB)*	9,997.5	11,242.9	12,264.6	13,471.5	15,160.9	16,674.3	18,022.6	10.3%
Per capita consumer cash spending of rural households *(RMB)*	2,767.1	3,159.4	3,504.8	3,859.3	4,733.4	5,414.5	6,112.9	14.1%

Source: National Bureau of Statistics of China

Sustained high-speed economic growth of China has created a favourable environment and condition for the development of consumer goods market. Total retail sales of consumer goods increased to RMB23,781 billion in 2013 from RMB9,357.2 billion in 2007. According to the Twelfth Five-Year Development Plan for Domestic Trade*(國內貿易發展"十二五"規劃), total retail sales of consumer goods in the PRC are expected to reach RMB30 trillion by 2015. The size of consumption in the PRC is expected to further expand, of which the consumption of services will account for a larger proportion, with total retail sales of consumer goods exceeding RMB50 trillion by 2020. The driving role of consumption in the national economy will be further enhanced.

Per capita consumer cash spending of urban households in the PRC grew from RMB9,998 in 2007 to RMB18,023 in 2013, which was mainly attributable to the change in the perception of consumption and the steady increase in income of urban residents. When compared with the average consumer spending of rural households, consumption of urban population remained as the dominant driver and source for the growth of domestic consumption.

Per capita disposal income and per capita spending of urban residents in the PRC



Source: National Bureau of Statistics of China

MAJOR INDICATORS OF THE REAL ESTATE MARKET IN THE PRC

By leveraging the driving force of rapid economic growth, domestic investment and consumption in the PRC, the real estate market in the PRC realized fast growth. Total investment in property development projects increased from RMB2,528.884 billion in 2007 to RMB8,601.338 billion in 2013. According to the National Bureau of Statistics of China, in 2013, the total area of properties completed in the PRC was 3,461,170,700 square meters; the total area of properties under construction was 13,531,271,900 square meters; and the total area of commodity properties sold was 1,305,505,900 square meters, all of these figures achieved significant growth when compared with 2007. During the same period, sales of commodity properties increased both in volume and value as a result of stronger demand from investors for properties. The average selling price of commodity properties increased from RMB3,863.9 per square meter in 2007 to RMB5,791.0 per square meter in 2012, while sales of commodity properties increased from RMB2,988.912 billion in 2007 to RMB8,142.828 billion in 2013, representing an increase of 50% and 172%, respectively.

Major indicators of the real estate market in the PRC

	2007	2008	2009	2010	2011	2012	2013	CAGR (2007-2013)
Total investment in property development projects *(RMB billion)*	2,528.9	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4	8,601.3	22.6%
Total area of properties completed *(Million m^2)***	2,384.3	2,603.1	3,021.2	2,785.6	3,290.7	3,355.0	3,499.0	6.6%
Total area of properties under construction *(Million m^2)*	5,485.4	6,322.6	7,541.9	8,440.6	10,355.2	11,672.4	13,531.3	16.2%
Total area of properties completed by property developers *(Million m^2)***	606.1	665.4	726.8	787.4	926.2	994.2	1,014.3	9.0%
Total area of properties under construction by property developers *(Million m^2)*	2,363.2	2,832.7	3,203.7	4,053.6	5,067.8	5,734.2	6,655.7	18.8%
Total area of commodity properties sold *(Million m^2)*	773.5	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	9.1%
Sales of commodity properties *(RMB billion)*	2,988.9	2,506.8	4,435.5	5,272.1	5,858.9	6,445.6	8,142.8	18.2%
Average selling price of commodity properties *(RMB/m^2)*	3,863.9	3,800.0	4,681.0	5,032.0	5,357.1	5,791.0	6,237.0	8.3%
Area of commercial properties sold *(Million m^2)****	72.2	66.9	85.7	113.9	128.4	128.4	148.3	12.8%

Major indicators of the real estate market in Shaanxi Province

	2007	2008	2009	2010	2011	2012	2013	CAGR (2007-2013)
Total investment in property development projects *(RMB billion)*	53.5	76.2	94.2	116.0	141.1	183.6	224.0	27.0%
Total area of properties completed *(Million m^2)***	52.6	54.5	56.6	46.3	63.8	78.7	78.3	6.9%
Total area of properties under construction *(Million m^2)*	122.9	152.5	229.2	236.4	277.5	354.9	355.0	19.3%
Total area of properties completed by property developer *(Million m^2)***	8.9	8.8	9.2	9.0	11.3	16.5	15.1	9.2%
Total area of properties under construction by property developer *(Million m^2)*	44.5	57.8	82.4	99.5	122.2	154.1	172.4	25.3%
Total area of commodity property sold *(Million m^2)*	14.6	15.1	20.9	25.9	30.5	27.6	30.5	13.1%
Sales of commodity property *(RMB billion)*	38.3	44.7	67.3	97.4	151.0	142.1	160.8	27.0%
Average selling price of commodity property *(RMB/m^2)*	2,622.0	2,952.0	3,223.0	3,759.0	4,949.0	5,156.0	5,280.0	12.4%
Area of commercial properties sold *(Million m^2)****	0.8	0.9	0.9	1.2	1.2	2.3	2.1	17.45%

Major indicators of the real estate market in Xi'an

	2007	2008	2009	2010	2011	2012	2013	CAGR (2007-2013)
Total investment in property development projects *(RMB billion)*	38.7	54.0	69.6	84.2	99.7	128.2	159.6	26.6%
Total area of properties completed *(Million m^2)***	4.8	4.4	5.4	4.6	6.3	10.6	8.0	8.9%
Total area of properties under construction *(Million m^2)*	29.2	36.3	57.1	67.0	82.5	99.5	104.5	23.7%
Total area of commodity property sold *(Million m^2)*	8.3	7.6	12.6	15.9	17.8	15.4	16.6	12.3%
Sales of commodity property *(RMB billion)*	28.2	29.6	48.9	70.7	109.1	101.8	111.3	25.7%
Average selling price of commodity property *(RMB/m^2)*	3,379.1	3,896.8	3,889.7	4,452.7	6,137.8	6,613.4	6,693.0	12.1%
Area of commercial properties sold *(Million m^2)****	0.51	0.45	0.54	0.65	1.03	1.55	1.40	18.3%

Source: National Bureau of Statistics of China and Xi'an Statistics Bureau

** "Total area of properties completed" includes infrastructure, public facilities and properties constructed by government for public uses whereas "total area of properties completed by property developers" includes property built solely for trading purpose.

*** Including area of office, retail and other commercial properties.

Historical Price Trends of Raw Materials

The Target Group's major construction materials generally include, among other things, cement and steel, which are subject to market fluctuation and volatility. The table below sets out the purchasing price indices for industrial producers for the PRC and Shaanxi Province for the years indicated:

	2008	2009	2010	2011	2012
Purchasing price indices for industrial producers (Building materials)[(1)(2)]					
PRC	107.1	100.2	103.3	104.7	101.0
Shaanxi Province	N/A	103.7	102.6	105.4	100.7

Source: National Bureau of Statistics of China

Notes:

(1) These indices reflect changes in the level and degree of prices paid by construction/development enterprises when they purchase production input such as raw materials from the material exchange market or from other construction raw materials producing enterprises for a combined range of construction raw materials. General industry's understanding of building materials would include, amongst other things, cement, steel, bitumen, concrete blocks, glass, steel, metal framework, timber framework, paint, unplasticized PVC pipes, etc.

(2) These indices reflect the percentage change in our purchasing price over the previous 12-month period.

Land Cost for Xi'an City

According to the land price data of major cities in China under China Urban Land Price Dynamic Monitor（中國城市地價動態監測）(the monitoring system as prepared by the Ministry of Land), the commercial land price (as per sq.m. basis) in Xi'an City are set out below:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Commercial Land Price in Xi'an City *(RMB per sq.m.)*	3,694	3,565	3,595	3,920	4,403	4,539	4,985

Source: China Urban Land Price Dynamic Monitor

Labour Administration

According to the requirements of Article 57 of The Social Insurance Law of the People's Republic of China ("Social Insurance Law"), promulgated by the Standing Committee of the National People's Congress on 28 October 2010 and implemented on 1 July 2011, an employing entity shall apply to the local social insurance agency for going through the formalities for social insurance registration according to law. An employing entity shall, on behalf of their employees, pay the five social insurances charges, namely basic retirement insurance, basic medical insurance, workman compensation insurance, unemployment insurance and maternity insurance. Also, according to the requirements of the Certain Provisions on the Implementation of Social Insurance Law of the People's Republic of China ("Certain Provisions") implemented on 1 July 2011, subsequent to 1 July 2011, in the event that an employing entity fails to pay the social insurance charges in full on time, it will be managed according to Social Insurance Law and Certain Provisions. For the failure to pay social insurance charges in full on time by an employing entity prior to 1 July 2011, it shall be executed according to the relevant requirements under the national and local people's government. Pursuant to which, according to the requirements of Social Insurance Law, in the event that an employing entity fails to pay social insurance charges in full on time, including its own social insurance charges payable and the social insurance charges payment on behalf of their employees, then the social insurance imposing institution will order the payment or compensation within a time period. For any outstanding amount subsequent to 1 July 2011, a late payment charge of 0.05% per day will be imposed. In the event that an employing entity fails to pay after the due date, the relevant administration department will impose a fine of over 100% but less than 300% of the outstanding amount. For the outstanding amount prior to 1 July 2011, according to the requirements of Interim Regulations on the Collection and Payment of Social Insurance Premiums implemented on 22 January 1999, in the event that an employing entity fails to pay in arrears within the specified period, apart from paying in arrears the outstanding amount, the social insurance imposing institution also has the right to impose a late payment charge of 0.2% per day for the outstanding amount.

Environmental Protection

According to the aforesaid requirements, by pinpointing at the construction projects that affect the environment, the construction units should entrust an environmental impact assessment institution to issue an environmental impact report, environmental impact statement or environmental impact registered form, and report it to the environmental protection administrative department who is having the approval right for approval. For construction projects that need supporting environmental protection facilities to be constructed as ancillary construction, the facilities must be designed, constructed and put into operation simultaneously with the subject projects. After the completion of the construction project, the construction unit should apply to the environmental protection administrative department who is having the approval right for approval for acceptance of the construction project.

Foreign exchange control

In July 2014, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents Engaging in Overseas Investment and Financing and Roundtrip Investments via Special Purpose Companies ("SAFE Circular 37") which replaced the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles ("SAFE Circular 75"). SAFE Circular 37 states that domestic residents must register with the relevant local SAFE branch in connection with their direct establishment or indirect control of an offshore entity established with the assets or interests in domestic enterprises or offshore assets or interests legally held by such domestic residents for the purpose of overseas investment and financing. Such registration shall be completed before domestic residents inject their legitimate onshore or offshore assets or interests into such offshore entity. In addition, such domestic residents must amend their SAFE registrations when the said offshore entity undergoes material events including, among others, change of domestic individual resident shareholders, increases or decreases in investment amounts, transfers or exchanges of shares, mergers or divisions.

Administration of Qualifications of a Real Estate Development Enterprise

In accordance with the Provisions on Administration of Qualifications of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) promulgated by MOHURD on 29 March 2000, a real estate development enterprise shall apply for registration of its qualifications.

Land for the Real Estate Development Project

As mentioned in the preceding paragraphs, the Urban Real Estate Law and the Development Regulations provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land use rights for a site intended for real estate development shall be obtained through grant. According to the Urban Real Estate Law, the Development Regulations, the Regulations on the Grant of State-owned Construction Land Use Right Through Public Bidding, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) amended on 28 September 2007 and taking effect on 1 November 2007 and the Urgent Notice for Further Strengthening the Administration of the Land (《關於當前進一步從嚴土地管理的緊急通知》) promulgated by the MLR on 30 May 2006, State-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale.

According to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the MLR in April 1999, as amended in May 2012, an idle land penalty may be imposed on the owner of land use right of the land that has not been developed within one year from the commencement date set out in the relevant land use right grant contract. Land use right may be forfeited without compensation, if the land has not been developed within two years from the commencement date set out in the relevant contract.

On 26 January 2011, the General Office of the State Council issued the Notice on Governing the Relevant Issues Further Improvement of the Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), pursuant to which the censor on the real estate market access qualification and the source of funds of real estate enterprises will be strengthened. If a real estate development enterprise fails to obtain a construction permit and start construction within two years after obtaining the land for real estate, the land use right must be confiscated and an idle land penalty will be imposed as having been idle for over one year.

On May 19, 1990, the State Council (國務院) enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-Owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). These regulations, generally referred to as the Urban Land Regulations, formalized the process of granting and transferring land use rights for consideration. Under this system, the State retains ultimate ownership of land in urban areas. However, the right to use certain land, referred to as land use rights, can be granted by the State and local governments at or above the county level for up to 70 years, depending on the specific uses, pursuant to a land grant contract and upon payment to the State of a premium for the grant of these land use rights.

The Urban Land Regulations prescribe different maximum durations of land use rights for different purposes as follows:

Use of land	**Maximum duration (Years)**
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilization or others	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights before the grant term expires. Should the public interest require the resumption of possession by the State under special circumstances during the grant term, compensation shall be paid by the State, based on how long the land user has used the land, and on the extent to which the land has been developed and used. A holder of land use rights may, during the grant term, transfer, lease, mortgage or use the land for other economic activities. In accordance with the Property Rights Law (《中華人民共和國物權法》) (the "Property Rights Law"), which became effective on October 1, 2007, the term of land use rights for land used for residential purposes will automatically be renewed upon expiration. The renewal of the term of land use rights for other uses shall be dealt with according to the relevant laws then in force. In

addition, if the public interest requires the resumption of possession of land by the State, owners of residential properties and other real estate on the land shall be compensated and the relevant land premium shall be refunded to them.

Permit of the Real Estate Development Project

Under the Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by MOHURD on 4 December 1992 and amended on 26 January 2011, the assignee to a grant contract, i.e. a real estate development enterprise, shall legally apply for a construction land planning permit* (建設用地規劃許可證) from the urban planning authority with the grant contract.

For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Law of the PRC on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) and local statutes on urban planning must be followed and a construction works planning permit (建設工程規劃許可證) must be obtained from the urban planning authority.

Before commencing any construction work, the real estate development enterprise shall apply for a construction works commencement permit* (建築工程施工許可證) from the housing and urban-rural development authority under the local government at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (2014)(《建築工程施工許可管理辦法(2014)》) promulgated by MOHURD on 25 June 2014 and effective as of 25 October 2014.

Pursuant to the Development Regulations and the Interim Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by MOHURD on 7 April 2000 and amended on 19 October 2009 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on 2 December 2013, after completion of the real estate development project, the real estate development enterprise should apply for the project completion inspection and acceptance to the county level or higher local construction administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary inspection and acceptance, and may not be delivered before the necessary inspection and acceptance is conducted or without passing such an inspection and acceptance. For a housing estate or other building complex project, an inspection and acceptance shall be conducted upon completion of the whole project and where such a project is developed in phases, inspection and acceptance may be carried out for each completed phase. The real estate development enterprise should register the project completion inspection and acceptance within 15 days from passing the inspection and acceptance. The project should not be delivered to users if it has not passed the project completion inspection

and acceptance. Projects like residential house quarters should pass the compositive completion inspection and acceptance. Projects developed in stages can also be inspected and accepted in stages.

Sales/Pre-sales of Commodity Buildings

In accordance with the provisions of the Regulations for the Administration of Sale of Commodity Buildings (《商品房銷售管理辦法》) promulgated by MOHURD on 4 April 2001 and the Measures for the Administration of Pre-sale of urban Commodity Buildings (《城市商品房預售管理辦法》)("Pre-sale Regulations") amended by MOHURD on 20 July 2004.

For units of a commodity building sold before completion (a "Pre-sale") to occur under the Pre-sale Regulations, a developer must make the necessary Pre-sale registration with the real estate development authority of the relevant city or county and obtain a Pre-sale permit. Commodity buildings may be put to Pre-sale only if the certain preconditions are satisfied. A Pre-sale will take place if:

- The premium in respect of the land use rights has been paid in full and the land use rights certificate has been obtained;
- The construction work planning permit and the construction work commencement permit have been obtained;
- At least 25% of the total amount of the project investment fund has been injected into the development of the project and the progress of construction and the expected completion date of the project has been ascertained; and
- The Pre-sale permit has been obtained.

According to the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area and the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (《關於進一步加強房地產市場監管完善商品房預售制度有關問題的通知》) promulgated by the MOHURD in April 2010, without the pre-sale approval, commodity properties are not permitted to be pre-sold, the real property developer is not allowed to charge the buyer any deposit, pre-payment or other payments,and the real property developer shall not participate in any exhibition or sales activities. In addition, pre-sale incomes must only be used for the corresponding project.

Under the Regulations for the Administration of Sale of Commodity Buildings (《商品房銷售管理辦法》), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied:

- the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of a real estate developer;
- the enterprise has obtained a land use rights certificate or other approval documents of land use;
- the enterprise has the permit for construction project planning and the permit for construction;
- the commodity buildings have been completed and been inspected and accepted as qualified;
- the relocation of the original residents has been completed;
- the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; and
- the property management plan has been completed. Before the post-completion sale of a commodity building, a real estate development enterprise shall submit the real estate development project manual and other documents showing that the preconditions for post completion sale have been fulfilled to the real estate development authority for making a record.

Mortgage and guarantee

The mortgage of real estate in the PRC is governed by the Property Rights Law, the Security Law of the PRC (《中華人民共和國擔保法》), the Urban Real Estate Administration Law (《城市房地產管理法》), the Regulation on the Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》), and other relevant real estate laws and regulations. When a mortgage is created over the ownership of a completed building, the same will be simultaneously created over the land use rights of the land where the building was erected. The mortgagee and the mortgagor shall enter into a mortgage contract in writing, which becomes effective on the date of the registration of such mortgage by the relevant real estate authority. Pursuant to the Security Law, a real estate mortgage agreement shall contain specific provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation of the debtor; and (iii) the name, quantity, conditions, location and ownership of the mortgaged property. Pursuant to the Property Rights Law, buildings newly erected on a piece of land after the land has been

mortgaged may not be considered the mortgaged property. If the mortgaged property is auctioned off, the new buildings added to the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

Pursuant to the Property Rights Law, a real estate mortgage becomes effective on the date of registration with the local real estate department. When registering mortgaged property, the relevant mortgage contract, as well as the land use rights certificate or the property ownership certificate relating to the mortgaged property, must be submitted to the registration authority. If the mortgagor cannot repay the loan that is secured by the mortgaged property, the mortgagee may agree with the mortgagor to receive payment by appraising the mortgaged property or through the proceeds of an auction or sale of the property. If no such agreement is reached, the mortgagee may institute proceedings in a People's Court. After the mortgaged property has been appraised, auctioned or sold, any portion of the proceeds that exceeds the amount of the indebtedness shall belong to the mortgagor and any shortfall shall be paid by the mortgagor.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) general guarantees whereby the guarantor is liable when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and, unless otherwise agreed to, the guarantee shall remain valid for six months after the expiration of the term for performance of the principal obligation of the debtor.

Leasing

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of buildings or homes. On December 1, 2010, MOHURD promulgated the Measures for the Administration of Leases of Commodity Buildings (《商品房屋租賃管理辦法》) (the "Lease Measures"), which became effective on February 1, 2011. Pursuant to the Lease Measures, within 30 days after a lease contract is entered into, the parties thereto shall file with the local property administration authority. Any failure to comply with this filing requirement shall lead to a fine. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land, or on land for which the landlord has acquired only allocated land use rights, must be turned over to the State.

Property Financing

The PBOC Circular on Further Strengthening the Management of Loans for Property Business (《中國人民銀行關於進一步加強房地產信貸業務管理的通知》) enacted on 5 June 2003 specifies the requirements for banks to provide loans for the purposes of property development as follows:

- the loan by commercial banks to real estate development enterprises shall be granted only under the category of property development loan and it is strictly forbidden to extend such loans as current capital loan for property development project or under any other category. No lending of any type shall be granted to enterprises which have not obtained the State-owned Land Use Rights Certificate, Planning Permit for Construction Land Planning Permit, Construction Works Planning Permit or Construction Works Commencement Permit;

- commercial banks shall not grant loans to real estate development enterprise to pay off land premium;

- banks shall not accept commodity properties that have remained unsold for three years or more as mortgage collaterals.

According to the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) jointly promulgated MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE on 11 July 2006, foreign-invested property development enterprises which have not paid up their registered capital fund fully, or failed to obtain the State-owned Land Use Rights Certificate, or have less than 35% of the total investment for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On 27 September 2007, the PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Property Credit Loans Loans (《關於加強商業性房地產信貸管理的通知》) which further stipulates stringent requirements that commercial banks shall not issue loans to property development enterprises that are found to be hoarding land and houses for speculative purposes by the competent authority in charge of land and resources and the competent authority in charge of construction; and property development loans issued by commercial banks can only be used for local property development projects and may not be used for property development projects of other regions. For loans that indeed need to be used for property development projects in other regions and for which appropriate risk control measures have been taken, the commercial banks shall report to the supervisory agencies before issuing the loans.

According to the Circular of the State Council on Saving Intensive-use Land (《國務院關於關於促進節約集約用地的通知》) which is enacted on 3 January 2008, with regard to the real estate projects that exceed one year from the start date listed in the land use rights granting

contract, for which less than 1/3 of the development area has been completed, or for which less than 1/4 of the investment has been made, the financial institutions should be very prudent when they provide loans and examine financing for such project, and they should be prudent to grant extended loan facilities and revolving credit facilities. They should not provide loans or financing for listing of the projects which failed to use the land in accordance with law. If the financial institutions extended loan or provide financing in violation of law, the relevant individuals shall take legal liabilities.

On 29 July 2008, PBOC and CBRC issued the Notice on Financially Promoting the Economisation and Intensive Use of Land (《中國人民銀行、中國銀行業監督管理委員會關於金融促進節約集約用地的通知》), which among other things,

- restrict PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;
- regulate the secured loans for land reserve in various respects including to obtain land use certificate, to secure up to 70% value of security's appraised valuation, and to limit the length of maturity in no more than two years;
- prudently grant or extend loans to the property developer who (i) delay the commencement of development date specified in the land transfer agreement more than one year, (ii) has not finished one-third of the intended project, or (iii) has not invested the quarter of the intended total project investment;
- restrict granting loans to the property developer, the land of which is idle for two years; and
- restrict taking idle land as a security for loans.

In accordance with the Notice Regarding Adjusting Capital Ratio of Fixed Assets Investment Project (《國務院關於調整固定資產投資項目資本金比例的通知》) promulgated by the State Council on 25 May 2009, the minimum capital ratio for real estate development projects (other than low-income and ordinary commercial housing projects) has been reduced to 30%.

Notice of the State Council on Firmly Curbing the Surging Housing Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which is promulgated and enforced on 17 April 2010, provides that, during the land bidding and the process of development and construction by a property development enterprise, its shareholders shall be forbidden from providing loans, sub-loans, guarantee or other relevant financing facilities to it. Commercial banks shall strengthen the pre-issuance examination and post-issuance management for the loans issued for the development of real estate development enterprises; and, with regard to real estate development enterprises that have left land idle and are involved in land speculation, the

commercial banks shall not issue loans for their new development projects, and the securities regulatory departments shall suspend the approval of their listing, re-financing and material assets restructuring.

On 29 September 2010, the PBOC and CBRC jointly issued the Notice on Issues Concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》), pursuant to which all commercial banks are required to suspend the granting of loans for new development projects and to suspend the extension of loans to any real estate development enterprise which has left any land idle, changed the uses and nature of land, delayed the commencement of property projects or completion of construction, held back housing units for sale or violated any of laws or regulations.

A. SUMMARY OF FINANCIAL INFORMATION

The consolidated financial statements of the Group (i) for the six months ended 30 September 2014 is disclosed in 2014/2015 interim report of the Company from pages 29 to 68; (ii) for the financial year ended 31 March 2014 is disclosed in the 2014 annual report of the Company from pages 73 to 188; (iii) for the financial year ended 31 March 2013 is disclosed in the 2013 annual report of the Company from pages 58 to 172; and (iv) for the financial year ended 31 March 2012 is disclosed in the 2012 annual report of the Company from pages 48 to 147, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.chinlinkint.com).

B. TREND OF BUSINESS AND FINANCIAL AND TRADING PROSPECTS

The Group's annual results for the year ended 31 March 2014 is summarized below:

The Group's total turnover during the year ended 31 March 2014 was approximately HK$151.7 million, representing a decrease of approximately 6.0% from approximately HK$161.4 million for the year ended 31 March 2013. The Group's gross profit for the year was approximately HK$41.0 million, representing an increase of approximately 57.1% from approximately HK$26.1 million in the previous year. The decrease in turnover was mainly attributable to the decrease in turnover of trading of furniture and fixtures.

Meanwhile, the Group recorded a loss from operations for the year of approximately HK$90.3 million, compared with approximately HK$22.4 million in the previous year. Such increase in the loss from operations was mainly attributable to the increase in the finance costs from approximately HK$7.7 million for the year ended 31 March 2013 to approximately HK$64.9 million for the year ended 31 March 2014. The increase in finance costs during the year was mainly attributable to the interest expenses of the convertible bonds and coupon bonds issued by the Group.

Administrative expenses for the year increased to approximately HK$58.9 million from approximately HK$36.3 million in the previous year. Such increase was mainly attributable to equity-settled share-based payments of HK$15.4 million incurred during the year.

The loss attributable to owners of the Company for the year was approximately HK$90.3 million, compared with a loss of approximately HK$22.4 million in previous year. The loss per share for the year ended 31 March 2014 was approximately HK$0.05 compared with the loss per share of approximately HK$0.01 for the year ended 31 March 2013.

Interior decoration work remained the core operation of the Group and accounted for the largest percentage of the Group's turnover and gross profit for the year ended 31 March 2014.

In light of such toughened operating environment faced by the interior decoration work and trading of furniture and fixtures, the Group allocated more resources on the Group's emerging and fast growing financing guarantee and logistics services businesses in Shaanxi Province. The revenue from financing guarantee services and the logistics services were approximately HK$14.3 million and HK$7.3 million respectively. The Board considers these two new businesses will continue to grow in the coming years and contribute satisfactory revenue and margin to the Group.

The revenue of trading of furniture and fixture business segment has been decreasing in the past few years and it recorded loss for the year ended 31 March 2014. The Company is contemplating to scale down or divest this operation but there is no concrete plan as at the Latest Practicable Date.

C. INDEBTEDNESS

As at the close of business on 28 February 2015, being the latest practicable date for the sole purpose of this statement of indebtedness prior to the date of this circular, the outstanding borrowings and commitments of the Enlarged Group comprise the following:

	HK$'000
Bank borrowings, secured and guaranteed	340,888
Bank overdraft, unsecured and guaranteed	1,623
Amounts due to the Group's former subsidiaries, unsecured and unguaranteed	9,536
Amount due to a Company's staff, unsecured and unguaranteed	987
Amount due to an independent third party, unsecured and unguaranteed	2,922
Amounts due to related companies, unsecured and unguaranteed	16,931
Loans from staff of the Target Group, unsecured and unguaranteed	11,572
Other borrowings, unsecured and unguaranteed	40,827
7.5% convertible bonds of the Company, unsecured and unguaranteed	300,000
8% coupon bonds of the Company, unsecured and unguaranteed	200,000
Obligations under finance leases, secured and unguaranteed	3,369
Amount due to Sino Virtue Holdings Limited, unsecured and unguaranteed	76,000
Amounts due to former shareholders of Tang Rong, unsecured and unguaranteed	303,527

Bank borrowings

As at 28 February 2015, the bank borrowings of approximately HK$340,888,000 of the Enlarged Group were secured by:

a) investment properties with fair value of approximately HK$1,500,422,000 as at 28 February 2015 of the Target Group located in the PRC;

b) properties, plant and equipment with carrying value of approximately HK$16,945,000 as at 28 February 2015 of the Group; and

c) a corporate guarantee was given by a related company of the Target Group to the extent of RMB30,500,000 (equivalent to approximately HK$37,634,000).

Obligations under finance lease

As at 28 February 2015, the finance lease obligation of approximately HK$3,369,000 of the Group was secured by the lessor's charge over the leased asset with carrying value of approximately HK$4,082,000 as at 28 February 2015 of the Group.

Contingent liabilities

As at 28 February 2015, the Enlarged Group have the following contingent liabilities:

(a) Financing guarantees given to banks in respect of financing guarantee services

As at 28 February 2015, the Group has entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to Independent Third Parties and two related companies. The maximum liabilities of the Group as at 28 February 2015 under these guarantees is approximately HK$444,475,000 and such guarantees were secured by pledged bank deposit of the Group of approximately HK$335,711,000.

(b) Guarantees in respect of loans obtained by tenants of the Target Group

As at 28 February 2015, the amount of corporate guarantee provided by Ba Qiao to a bank for loans advanced to three independent third parties who are tenants of Ba Qiao amounted to approximately RMB994,000 equivalent to approximately HK$1,226,000.

Disclaimer

For the purpose of the above statement of indebtedness, foreign currency denominated amounts has been translated into Hong Kong dollar at the rates of exchange of HK$1.2339 to RMB1 as at 28 February 2015.

Except as disclosed and apart from intra-group liabilities, the Enlarged Group did not have, as of 28 February 2015, any other debt securities issued and outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, finance lease obligation, mortgages, charges, guarantees or other material contingent liabilities.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in 2014/2015 interim report of the Company, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2014, the date to which the latest published audited financial statements of the Group were made up.

E. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Enlarged Group, including internally generated funds, cash and cash equivalents on hand, borrowings available including the loan facility granted by Mr. Li Weibin, and the cash flow impact of the Acquisition, including the banking facilities to be obtained as required for the Acquisition, the Directors are of the opinion that the Enlarged Group will have sufficient funds to satisfy its working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

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35/F One Pacific Place
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Hong Kong

6 May 2015

The Directors
Chinlink International Holdings Limited

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") regarding E-Innovation Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "E-Innovation Group") for the period from 7 July 2014 (date of incorporation) to 31 December 2014 (the "Relevant Period"), for inclusion in a circular issued by Chinlink International Holdings Limited (the "Company") dated 6 May 2015 (the "Circular") in connection with the proposed very substantial acquisition in relation to the acquisition of the entire issued share capital of and sale loan due by the Target Company involving issue of new shares under specific mandate and issue of bond (the "Acquisition").

The Target Company was incorporated in the British Virgin Islands ("BVI") on 7 July 2014 with limited liability. The Target Company is an investment holding company and the E-Innovation Group remained inactive during the Relevant Period.

As at 31 December 2014 and as at the date of this report, the Target Company has equity interest in the following subsidiary:

Name of the Company	Place and date of incorporation	Place of operation	Equity interest attributable to the Target Company 31 December 2014	6 May 2015	Issued and fully paid-up capital	Principal activity
Direct						
High Express International Limited ("High Express")	Hong Kong 15 January 2014	Hong Kong	100%	100%	Paid up capital of HK$1	Investment holding

The financial year end date of the Target Company and its subsidiary is 31 December. No audited statutory financial statements have been prepared for the Target Company since its date of incorporation as there is no statutory audit requirement in the BVI. No audited financial statements have been issued for High Express as it has not reached the statutory requirement imposed on the issuance of first set of audited statutory financial statements.

For the purpose of this report, the director of the Target Company has prepared the consolidated financial statements of the E-Innovation Group for the Relevant Period in accordance with significant accounting policies as set out in note 4 to the Financial Information, which conforms with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the E-Innovation Group for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the director of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the E-Innovation Group as at 31 December 2014 and of the results and cash flows of the E-Innovation Group for the Relevant Period.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	7.7.2014 to 31.12.2014 HK$
Revenue		–
Administrative expenses		(31,897)
Loss before taxation	7	(31,897)
Taxation	8	–
Loss and total comprehensive expense for the period attributable to owner of the Target Company		(31,897)
Basic loss per share	10	(31,897)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	NOTES	**2014** *HK$*
Current assets		
Bank balances and cash		10,008
Current liabilities		
Amount due to a director	*11*	10,000
Accruals	*12*	31,897
		41,897
Net current liabilities		(31,889)
Total assets less current liabilities		(31,889)
Capital and reserve		
Share capital	*13*	8
Accumulated loss		(31,897)
Equity attributable to owner of the Target Company		(31,889)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total equity
	HK$	*HK$*	*HK$*
At 7 July 2014 (date of incorporation)	8	–	8
Total comprehensive expense for the period	–	(31,897)	(31,897)
At 31 December 2014	8	(31,897)	(31,889)

CONSOLIDATED STATEMENT OF CASH FLOWS

	7.7.2014 to 31.12.2014 *HK$*
OPERATING ACTIVITIES	
Loss before taxation and operating cash flows before movement in working capital	(31,897)
Increase in accruals	31,897
CASH USED IN OPERATING ACTIVITIES	–
FINANCING ACTIVITIES	
Capital injection	8
Advance from a director	10,000
CASH GENERATED FROM FINANCING ACTIVITIES	10,008
MOVEMENT IN CASH AND CASH EQUIVALENTS	10,008
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	10,008

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1. General

The Target Company is a private limited company incorporated in the BVI. Its parent and ultimate holding company is Sino Virtue Holdings Limited ("Sino Virtue"), a company incorporated in the BVI and the ultimate controlling shareholder of Sino Virtue is Mr. Li Chi Yung. The address of the registered office and principal place of business of the Target Company is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

The functional currency of the Target Company is Hong Kong dollars ("HK$") which is the same as the presentation currency of the Financial Information of the Target Company.

The Target Company was engaged in investment holding during the Relevant Period.

2. Basis of Preparation of Financial Statements

On 1 August 2014, the Target Company acquired the entire issued share capital of High Express, which did not commence operation yet, at a consideration of HK$1. On 27 November 2014 and 1 December 2014, High Express entered into sale and purchase agreements with certain of the shareholders of 西安唐榮置業有限公司 (Xi'an Tang Rong Real Estate Limited) ("Tang Rong") and 西安大明宮灞橋建材家居有限公司 (Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited) ("Ba Qiao") whereby High Express agreed to acquire 73.375% and 73.375% of the equity interests in Tang Rong and Ba Qiao from the shareholders of Tang Rong and Ba Qiao respectively for a cash consideration in the aggregate amount of RMB316,400,000. Based on the approvals by the relevant government authorities, the acquisitions of Tang Rong and Ba Qiao were completed on 9 February 2015 and 7 January 2015 respectively (collectively referred to the "PRC Acquisition"), upon which Tang Rong and Ba Qiao became subsidiaries of High Express.

On 9 January 2015, 12 March 2015, 16 March 2015 and 17 March 2015, E-Innovation Group has entered into loan agreements with Sino Virtue (the "Loans") to obtain financial facilities in the form of inter-company loans in the amount of HK$76,000,000, HK$240,000,000, HK$40,000,000 and HK$25,800,000 respectively, to settle the consideration in connection with the PRC Acquisition. All the financial facilities have been utilised for payment of acquisition.

The consolidated financial information of the E-Innovation Group have been prepared on a going concern basis because Sino Virtue has agreed not to demand the repayment of the Loans until the E-Innovation Group has excess cash and has agreed to provide adequate funds to enable the E-Innovation Group to meet in full its financial obligations as they fall due within the next twelve months from 31 December 2014 or until the completion of the Acquisition, whichever is earlier. Additionally, in order to improve the financial position of

Tang Rong and Ba Qiao, to provide liquidity and cash flows and to sustain Tang Rong and Ba Qiao as a going concern, Tang Rong and Ba Qiao will obtain additional long-term borrowing from a financial institution by pledging certain portions of investment properties held by Tang Rong and related leasehold improvements held by Ba Qiao with an aggregate fair value of approximately HK$2,264,213,000 at 31 December 2014. Further, the Company will also financially support Tang Rong and Ba Qiao should the need arise after the completion of the Acquisition.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Target Company has applied Hong Kong Financial Reporting Standards (''HKFRSs''), Hong Kong Accounting Standards (''HKASs''), amendments and interpretations (''INT'') (herein collectively referred to as ''HKFRSs'') issued by the HKICPA that are effective for the E-Innovation Group's financial period beginning on 7 July 2014 (date of incorporation).

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective. The Target Company has not early applied these new and revised HKFRSs.

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2016

The director of the Target Company does not anticipate that the application of these new and revised HKFRSs will have a material impact on the Financial Information of the Target Company or the E-Innovation Group.

4. Significant Accounting Policies

The Financial Information has been prepared in accordance with accounting policies conform with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entity controlled by the Target Company. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The E-Innovation Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the E-Innovation Group obtains control over the subsidiary and ceases when the E-Innovation Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the E-Innovation Group gains control until the date when the E-Innovation Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the E-Innovation Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the E-Innovation Group are eliminated in full on consolidation.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The E-Innovation Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the relevant period.

Current tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the E-Innovation Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The E-Innovation Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables, representing bank balances and cash, are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the E-Innovation Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the E-Innovation Group after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including amount due to a director and accruals) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The E-Innovation Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The E-Innovation Group derecognises financial liabilities when, and only when, the E-Innovation Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Capital Risk Management

The E-Innovation Group manages its capital to ensure the E-Innovation Group will be able to continue as a going concern. The E-Innovation Group relies on the financial assistance from Sino Virtue before completion of the Acquisition and will rely on the Company after the Acquisition, both of which have agreed to financially support the Target Company for the corresponding period with details set out in note 2 to enable the E-Innovation Group to meet in full its financial obligations as they fall due for the foreseeable future.

The capital structure of the E-Innovation Group consists of equity attributable to owner of the Target Company, comprising issued share capital and accumulated loss. The director reviews the capital structure on a continuous basis. As part of this review, the director considers the cost of capital and the risks associated with capital. Based on recommendations of the director, the E-Innovation Group will balance its overall capital structure through payment to or advance from Sino Virtue before completion of the Acquisition and the Company after the Acquisition.

6. Financial Instruments

Categories of financial instruments

	2014
	HK$
Financial assets	
Loans and receivables (including cash and cash equivalents)	10,008
Financial liabilities	
Amortised cost	41,897

Financial risk management objectives and policies

The E-Innovation Group's major financial instruments include bank balances, amount due to the director and accruals. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Liquidity risk

As at 31 December 2014. the E-Innovation Group had net current liabilities and net liabilities of approximately HK$32,000. As explained in note 2, Sino Virtue and the Company have separately agreed to financially support the Target Company to enable the E-Innovation Group to meet in full its financial obligation as they fall due in the foreseeable future before completion of the Acquisition and after the completion of the Acquisition respectively.

The E-Innovation Group's remaining contractual maturity for its financial liabilities are repayable on demand. All the financial liabilities are non-interest bearing.

Fair values

The director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

7. Loss before Taxation

	7.7.2014 to 31.12.2014
	HK$
Loss before taxation has been arrived at after charging:	
Auditor's remuneration	–
Director's remuneration	–

8. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Target Company and its subsidiary have no assessable profit in Hong Kong for the Relevant Period.

The taxation for the Relevant Period can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	7.7.2014 to 31.12.2014
	HK$
Loss before taxation	(31,897)
Taxation at the Hong Kong Profits Tax rate of 16.5%	(5,263)
Tax effect of expenses not deductible for tax purpose	5,263
Taxation for the period	–

9. Director's Emoluments and Employees' Emoluments

Director's emoluments

No emoluments have been paid to, or are payable to, the sole director and chief executive of the Target Company, Mr. Kwan Ka Shing, during the Relevant Period.

Employees' emoluments

Other than Mr. Kwan Ka Shing, there is no employee employed under the E-Innovation Group during the Relevant Period.

10. Loss per Share

The calculation of basic loss per share is based on the loss attributable to owner of the Target Company of HK$31,897 and 1 ordinary share in issue during the Relevant Period.

No diluted loss per share is presented as the Target Company did not have any potential ordinary shares outstanding during the Relevant Period.

11. Amount due to a Director

Amount due to a director is unsecured, non-interest bearing and repayable on demand.

12. Current Financial Liabilities

Accruals principally comprise amount outstanding for operating expenses.

13. Share Capital

	2014
Authorised and issued:	
At 7 July 2014 (date of incorporation) and 31 December 2014	
1 ordinary share of US$1	US$1
Shown in the consolidated financial statements as	HK$8

The Target Company was incorporated with an authorised share capital of US$50,000. At the time of incorporation, 1 share of US$1 was issued at par to the subscriber to provide initial capital to the Target Company.

14. Related Party Transactions

Compensation of key management personnel

Apart from the amount due to a director as disclosed in the consolidated statement of financial position and note 11, the E-Innovation Group does not have any material transaction with related parties.

The director of the Target Company considered that the sole director is the key management of the E-Innovation Group. During the Relevant Period, the director of the Target Company did not receive any remuneration from the E-Innovation Group.

15. Statement of Financial Position of the Target Company as at 31 December 2014

	HK$
Non current asset	
Investment in a subsidiary	1
Current asset	
Cash	8
Current liabilities	
Accruals	11,640
Amount due to a subsidiary	1
	11,641
Net current liabilities	(11,633)
Total assets less current liabilities	(11,632)
Capital and reserve	
Share capital	8
Accumulated loss	(11,640)
Equity attributable to owner of the Target Company	(11,632)

(B) EVENTS AFTER THE REPORTING PERIOD

As described in note 2 to Section (A), Tang Rong and Ba Qiao became subsidiaries of High Express upon completion of the PRC Acquisition. The purpose of the PRC Acquisition is to acquire the business of leasing and rendering of management services of a shopping mall in Xi'an City of which Tang Rong holds titles to the land use right and shopping mall building (the "Property A"), and Ba Qiao holds the related leasehold improvements (the "Property B"). The principal activities of Tang Rong and Ba Qiao are leasing of properties and property management respectively. As a result of this operational structure, the director of the Target Company believes that both Tang Rong and Ba Qiao must be acquired by the Target Company in order to yield viable economic benefits to the E-Innovation Group, and that only on a combined basis would the operations of Tang Rong and Ba Qiao, together, constitute the business of leasing and managing of the shopping mall in Xi'an City (the "Business"). Accordingly, the series of acquisitions of Tang Rong and Ba Qiao by High Express is considered by the director of the Target Company as linked transactions and therefore the PRC Acquisition will be accounted for as an acquisition of a business as defined in HKFRS 3.

The director of the Target Company is in the process of determining the valuation of all identifiable assets and liabilities acquired under the PRC Acquisition. The director of the Target Company presents below the unaudited summarised financial information of Tang Rong and Ba Qiao (hereafter collectively referred to as the "PRC Target Group") for each of the three years ended 31 December 2012, 2013 and 2014 ("the Track Record Period") on a combined basis under which all intragroup assets and liabilities, income, expenses and cash flows relating to transactions between PRC Target Group entities are eliminated in full on combination. The purpose of such presentation is to illustrate the financial information of the Business acquired, in particular, the recognition and measurement of the investment properties comprising the said shopping mall in Xi'an City during the Track Record Period.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	92,433	96,614	93,990
Cost of services	(28,520)	(30,332)	(31,817)
Gross profit	63,913	66,282	62,173
Other income, gain and losses, net	7,224	4,615	1,649
Fair value changes of investment properties	1,122,687	94,863	24,100
Selling and marketing expenses	(13,820)	(13,471)	(14,259)
Administrative expenses	(17,480)	(16,654)	(13,798)
Finance costs	(14,789)	(35,844)	(33,459)
Profit before taxation	1,147,735	99,791	26,406
Income tax expense	(171,265)	(17,681)	(6,397)
Profit for the year attributable to owners	976,470	82,110	20,009
Other comprehensive income (expense)			
Items that will not be subsequently reclassified to profit or loss:			
Exchange difference arising from translation to presentation currency	14,486	42,895	(39,382)
Total comprehensive income (expense) for the year attributable to owners	990,956	125,005	(19,373)

COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	6,435	5,299	2,940
Interest in an associate	3,109	3,109	3,109
Investment properties *(Note 1)*	2,136,462	2,294,347	2,264,213
Deposits paid for construction of investment properties	1,570	1,615	1,576
Deferred tax assets	652	–	–
	2,148,228	2,304,370	2,271,838
CURRENT ASSETS			
Other debtors, deposits and prepayments	1,384	488	1,129
Tax recoverable	5	7	7
Loan receivable	49,743	10,231	–
Bank balances and cash	32,248	33,245	35,250
	83,380	43,971	36,386
CURRENT LIABILITIES			
Other payables and accruals	7,891	12,667	13,268
Construction costs accruals	129,688	76,464	16,460
Tax payables	865	890	868
Receipts in advance	50,205	38,974	42,752
Deposits received from tenants	22,003	21,364	24,928
Loans from staff	–	8,341	13,150
Loan from a related company	125,835	–	–
Bank and other borrowings	136,584	351,372	111,932
	473,071	510,072	223,358
NET CURRENT LIABILITIES	(389,691)	(466,101)	(186,972)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,758,537	1,838,269	2,084,866

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT LIABILITIES			
Receipts in advance	21,809	41,483	34,128
Deposits received from tenants	1,619	1,596	1,222
Bank and other borrowings	87,050	–	272,117
Deferred tax liabilities *(Note 2)*	172,080	194,206	195,788
	282,558	237,285	503,255
NET ASSETS	1,475,979	1,600,984	1,581,611
CAPITAL AND RESERVES			
Share capital	229,880	229,880	459,760
Reserves	1,246,099	1,371,104	1,121,851
TOTAL EQUITY	1,475,979	1,600,984	1,581,611

Note:

1. Movement of investment properties

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Completed properties held for rental purpose:			
At the beginning of the year	–	2,017,079	2,165,178
Additions	–	1,095	2,296
Transfer from investment properties under construction	902,924	–	–
Changes in fair value recognised in profit or loss	1,092,248	88,550	11,530
Exchange realignment	21,907	58,454	(53,264)
At the end of the year	2,017,079	2,165,178	2,125,740
Leasehold land with undetermined future use:			
At the beginning of the year	–	119,383	129,169
Additions	87,648	–	–
Changes in fair value recognised in profit or loss	30,439	6,313	12,570
Exchange realignment	1,296	3,473	(3,266)
At the end of the year	119,383	129,169	138,473
Investment properties under construction *(Note (b))*:			
At the beginning of the year	290,390	–	–
Additions	613,458	–	–
Transfer to completed properties held for rental purpose	(902,924)	–	–
Exchange realignment	(924)	–	–
At the end of the year	–	–	–
Total	2,136,462	2,294,347	2,264,213

Notes:

(a) Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land currently held for undetermined future use. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

(b) The amount represents the construction costs for the building portion and leasehold improvements of certain investment properties under construction. Since the fair value of the leasehold land and building under construction cannot be measured reliably, the investment properties are carried at cost until either the fair value becomes reliably measureable or construction is completed, whichever is earlier.

(c) At 31 December 2014, certain portion of the PRC Target Group's investment properties with fair value amounting to HK$1,517,000,000 have been pledged to secure general banking facilities granted to the PRC Target Group.

The fair values of the PRC Target Group's investment properties at 31 December 2012, 2013 and 2014 were arrived at on the basis of a valuation carried out on those dates by Ascent Partners Valuation Service Limited ("Ascent Partners") in respect of the properties situated in Xi'an City, Shaanxi Province, the PRC. Ascent Partners is an independent qualified professional valuer not connected with the Target Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

For completed investment properties and leasehold land held for undetermined future use, the valuations have been arrived at using the direct market comparison method of valuation, where comparison based on prices realised on actual sales or asking price of comparables is made. Comparable properties are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

2. Deferred tax liabilities arising from investment properties that are measured using the fair value model

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the director of the Target Company has reviewed the PRC Target Group's investment properties and concluded that substantially all of the PRC Target Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the PRC Target Group's deferred taxation on investment properties, the director of the Target Company has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the PRC Target Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Subsequent to 31 December 2014, the E-Innovation Group obtained several financial facilities in the form of intercompany loans from Sino Virtue in relation to acquisition of the 73.375% and 73.375% equity interest in Tang Rong and Ba Qiao respectively. Details are set out in note 2 to the financial information.

Other than as disclosed above, no significant event took place subsequent to 31 December 2014.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the E-Innovation Group or the Target Company have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

6 May 2015

The Directors
Chinlink International Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 西安唐榮置業有限公司 (Xi'an Tang Rong Real Estate Limited) ("Tang Rong") for each of the three years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), for inclusion in a circular issued by Chinlink International Holdings Limited (the "Company") dated 6 May 2015 (the "Circular") in connection with the proposed very substantial acquisition in relation to the acquisition of the entire issued share capital of and sale loan due by E-Innovation Limited ("the Target Company"), the intermediate holding company of Tang Rong since 9 February 2015 and as at the date of this report, involving issue of new shares under specific mandate and issue of bond (the "Acquisition").

Tang Rong was established in the People's Republic of China ("PRC") on 23 April 2010 with limited liability and was formerly named as 西安盛唐投資發展股份有限公司. On 23 September 2014, Tang Rong changed its name to 西安唐榮置業有限公司. Tang Rong was changed to a joint stock company on 21 January 2011 and then was changed back as a registered company with limited liability on 20 November 2014. Subsequently on 12 February 2015, Tang Rong was further changed to a sino-foreign equity joint venture. At the date of this report, the principal activity of Tang Rong is leasing of properties.

As at 31 December 2012, 2013 and 2014 and at the date of this report, Tang Rong has equity interest in the following associate:

Name of the associate	Place and date of establishment	Place of operation	Equity interest attributable to Tang Rong				Registered capital	Principal activity
			31 December			6 May		
			2012	2013	2014	2015		
陝西大明宮武隆置業有限公司 ("Wu Long")	PRC 10 December 2012	PRC	25%	25%	25%	25%	Registered and paid up capital of RMB10,000,000	Inactive

The financial year end date of Tang Rong and its associate is 31 December. The statutory financial statements of Tang Rong for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by 陝西省康華會計師事務所有限責任公司 ("Shaanxi Kanghua Certified Public Accountants Co., Ltd"), certified public accountants registered in the PRC.

For the purpose of this report, the directors of Tang Rong have prepared the financial statements of Tang Rong for the Relevant Periods in accordance with significant accounting policies, as set out in note 3 to the Financial Information, which conforms with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Tang Rong for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Tang Rong who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Tang Rong as at 31 December 2012, 2013 and 2014 and of the results and cash flows of Tang Rong for the Relevant Periods.

(A) FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2012	2013	2014
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	23,700	27,642	28,720
Cost of services		(18,642)	(25,668)	(27,285)
Gross profit		5,058	1,974	1,435
Other income, gain and losses, net	*8*	386	57	816
Administrative expenses		(7,291)	(5,785)	(3,085)
Finance costs	*9*	(2,159)	(20,332)	(24,051)
Loss before taxation	*10*	(4,006)	(24,086)	(24,885)
Income tax expense	*11*	(461)	(360)	–
Loss for the year attributable to the owners of Tang Rong		(4,467)	(24,446)	(24,885)
Other comprehensive income (expense)				
Items that will not be subsequently reclassified to profit or loss:				
Exchange difference arising from translation to presentation currency		2,969	10,604	(8,911)
Total comprehensive expense for the year attributable to the owners of Tang Rong		(1,498)	(13,842)	(33,796)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2012	2013	2014
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	813	616	318
Interest in an associate	*15*	3,109	3,109	3,109
Investment properties	*16*	441,266	443,513	423,726
Prepaid land lease payments	*17*	280,821	281,377	267,230
Deposits paid for construction of investment properties		1,570	1,615	1,576
Deferred tax assets	*22*	354	–	–
		727,933	730,230	695,959
CURRENT ASSETS				
Other debtors and deposits		381	391	374
Tax recoverable		5	7	7
Prepaid land lease payments	*17*	7,216	7,421	7,239
Bank balances and cash	*18*	5,624	4,553	10,927
		13,226	12,372	18,547
CURRENT LIABILITIES				
Other payables and accruals		4,294	6,185	5,757
Construction costs accruals		72,771	42,028	14,018
Receipts in advance	*19*	15,067	13,659	13,777
Other borrowings	*20*	–	9,662	46,042
Loans from staff and staff of a related company	*20*	–	7,543	11,342
Loan from a director	*20*	–	798	1,808
Loans from related companies	*21*	253,328	273,940	268,213
		(345,460)	(353,815)	(360,957)
NET CURRENT LIABILITIES		(332,234)	(341,443)	(342,410)
TOTAL ASSETS LESS CURRENT LIABILITIES		395,699	388,787	353,549
NON-CURRENT LIABILITIES				
Receipts in advance	*19*	8,168	15,098	13,656
NET ASSETS		387,531	373,689	339,893
CAPITAL AND RESERVES				
Paid-up capital	*23*	182,600	182,600	365,200
Reserves		204,931	191,089	(25,307)
EQUITY ATTRIBUTABLE TO OWNERS OF TANG RONG		387,531	373,689	339,893

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Tang Rong				
	Paid-up capital	**Share premium**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	182,600	182,600	29,038	(5,209)	389,029
Loss for the year	–	–	–	(4,467)	(4,467)
Other comprehensive income:					
Exchange difference arising on translation	–	–	2,969	–	2,969
Total comprehensive expense for the year	–	–	2,969	(4,467)	(1,498)
At 31 December 2012	182,600	182,600	32,007	(9,676)	387,531
Loss for the year	–	–	–	(24,446)	(24,446)
Other comprehensive income:					
Exchange difference arising on translation	–	–	10,604	–	10,604
Total comprehensive expense for the year	–	–	10,604	(24,446)	(13,842)
At 31 December 2013	182,600	182,600	42,611	(34,122)	373,689
Loss for the year	–	–	–	(24,885)	(24,885)
Other comprehensive expense:					
Exchange difference arising on translation	–	–	(8,911)	–	(8,911)
Total comprehensive expense for the year	–	–	(8,911)	(24,885)	(33,796)
Transfer from share premium *(Note)*	182,600	(182,600)	–	–	–
As at 31 December 2014	365,200	–	33,700	(59,007)	339,893

Note: Pursuant to the resolution approved by the shareholders of Tang Rong at the special general meeting held on 31 March 2014, all the share premium of Tang Rong was transferred to the share capital on the same date. On 20 November 2014, Tang Rong was approved to change from a joint stock company to a registered company with limited liability.

STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Loss before taxation	(4,006)	(24,086)	(24,885)
Adjustments for:			
Finance costs	2,159	20,332	24,051
Depreciation of property, plant and equipment	213	217	216
Depreciation of investment properties	7,290	11,251	11,261
Amortisation on prepaid land lease payments	4,758	7,328	7,294
Interest income	(394)	(57)	(331)
Loss (gain) on disposal of property, plant and equipment	4	–	(106)
Operating cash flows before movements in working capital	10,024	14,985	17,500
(Increase) decrease in other debtors and deposits	(373)	–	7
(Decrease) increase in receipts in advance	(7,212)	4,800	(623)
Increase (decrease) in other payables and accruals	2,854	1,745	(278)
Cash generated from operations	5,293	21,530	16,606
Income taxes paid	(26)	(2)	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,267	21,528	16,606
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(5)	–	–
Proceeds on disposal of property, plant and equipment	–	–	175
Additions of investment properties	(311,011)	(1,095)	(2,296)
Capital injection into a newly set up associate	(3,075)	–	–
Settlement of construction cost accruals	(857)	(32,391)	(27,184)
Interest received	394	57	331
Deposits paid for construction of investment properties	(523)	–	–
Repayment from a director	2,460	–	–
NET CASH USED IN INVESTING ACTIVITIES	(312,617)	(33,429)	(28,974)

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Finance cost paid	(698)	(21,186)	(20,816)
Advances from staff and staff of a related company	–	7,064	19,237
Repayments to staff and staff of a related company	–	–	(15,606)
Proceeds from other borrowings	–	9,306	71,614
Repayment from other borrowings	–	–	(37,446)
Advances from related companies	300,478	168,557	56,564
Repayments to related companies	(52,063)	(153,812)	(55,558)
Advance from a director	–	757	7,982
Repayment to a director	–	–	(7,039)
NET CASH FROM FINANCING ACTIVITIES	247,717	10,686	18,932
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(59,633)	(1,215)	6,564
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	64,702	5,624	4,553
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	555	144	(190)
CASH AND CASH EQUIVALENTS CARRIED FORWARD, representing bank balances and cash	5,624	4,553	10,927

NOTES TO FINANCIAL INFORMATION

1. General and Basis of Preparation

Tang Rong is a private limited company established in the PRC. The address of the registered office and principal place of business of Tang Rong is Room 10701, Unit 1, Block 1, Guo Jia Tan, 1600 Ban Po Road, Ba Qiao District, Xi'an City.

The functional currency of Tang Rong is Renminbi ("RMB"). For the convenience of the financial statements users, the Financial Information of Tang Rong is presented in Hong Kong dollars ("HK$").

The principal activity of Tang Rong is leasing of properties.

Going concern basis

In preparing the Financial Information, the directors of Tang Rong have given careful consideration to the future liquidity of Tang Rong in light of the fact that, as at 31 December 2012, 2013 and 2014, Tang Rong's current liabilities exceeded its current assets by approximately HK$332,234,000, HK$341,443,000 and HK$342,410,000 respectively and Tang Rong had construction commitments contracted for but not provided in the Financial Information of approximately HK$9,381,000, HK$9,647,000 and HK$9,410,000 as at 31 December 2012, 2013 and 2014 respectively as disclosed in note 25.

Tang Rong and 西安大明宮灞橋建材家具有限公司 (Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited) ("Ba Qiao"), a relate company of Tang Rong in which 席有良 is one of the directors of, and having significant influence over, both Tang Rong and Ba Qiao, agreed that, in case the Acquisition is not complete, both parties will restructure the loan arrangement. During the Relevant Periods, Ba Qiao is responsible for signing facility agreement with banks whereby substantial portions of the loans are then lent to Tang Rong while Tang Rong agreed to utilise certain portion of its investment properties as the pledge to secure the bank borrowings. To simplify the arrangement, Tang Rong will fully settle the amount due to Ba Qiao of HK$268,213,000 and Tang Rong will be the party to sign the loan agreement (the "New Loan") with a bank. The New Loan will be utilised for repaying the existing bank borrowings under Ba Qiao of HK$338,007,000 and for working capital of both Tang Rong and Ba Qiao should the need arise. The New Loan will be secured by the investment properties and land owned by Tang Rong and leasehold improvements owned by Ba Qiao. At 31 December 2014, the fair value of these assets estimated by independent professional valuer is in aggregate RMB1,815,000,000 (equivalent to HK$2,264,213,000). Accordingly, the directors of Ba Qiao are confident that Tang Rong has ability to settle the outstanding balance and financially support Ba Qiao. In case the Acquisition is complete, the Company will provide financial support to Ba Qiao.

After taking into account the above arrangements, the directors of Tang Rong consider that Tang Rong will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

2. Application of Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information throughout the Relevant Periods, Tang Rong has consistently applied Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("INT") (herein collectively referred to as "HKFRSs") issued by the HKICPA that are effective for Tang Rong's financial year beginning on 1 January 2014.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective. Tang Rong has not early applied any of these new and revised HKFRSs.

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and HKAS 38 and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 July 2014

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of Tang Rong do not anticipate that the application of these new and revised HKFRSs will have a material impact on the Financial Information of Tang Rong.

3. Significant Accounting Policies

The Financial Information has been prepared in accordance with accounting policies conform with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangement for Part 9 of Hong Kong Company Ordinance (Cap. 622).

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Investment in an associate

An associate is an entity over which Tang Rong has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise Tang Rong's share of the profit or loss and other comprehensive income of the associate. When Tang Rong's share of losses of an associate exceeds the Tang Rong's interest in that associate (which includes any long-term interests that, in substance, form part of the Tang Rong's net investment in the associate), Tang Rong discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Tang Rong has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to Tang Rong's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts and sales related tax.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Tang Rong and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Tang Rong's accounting policies. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Tang Rong as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Tang Rong as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, Tang Rong assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Tang Rong, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit scheme in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability of Tang Rong for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Tang Rong expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land currently held for undetermined future use. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Tang Rong becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets of Tang Rong are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other debtors and deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Tang Rong derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and cumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by Tang Rong are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the

expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Tang Rong after deducting all of its liabilities. Equity instruments issued by Tang Rong are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables and accruals, construction costs accruals, other borrowings, loans from staff and staff of a related company, loan from a director and loans from related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Tang Rong derecognises financial liabilities when, and only when, obligations of Tang Rong are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, Tang Rong reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Tang Rong estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. Capital Risk Management

Tang Rong manages its capital to ensure it will be able to continue as a going concern. Tang Rong will implement several measures as set out in note 1 to enable Tang Rong to meet in full its financial obligations as they fall due for the foreseeable future should the need arise.

The capital structure of Tang Rong consists of debts which include other borrowings, loans from staff and staff of a related company, a director and related companies, net of cash and cash equivalents and equity attributable to the owners of Tang Rong, comprising paid in capital and reserves.

The directors of Tang Rong review the capital structure on a regular basis. As part of this review, the director considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, Tang Rong will balance its overall capital structure through issue of new debts or the redemption of existing debts.

5. Key Sources of Estimation Uncertainty

In the application of accounting policies of Tang Rong, which are described in note 3, the directors of Tang Rong are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of investment properties

Investment properties are depreciated on a straight-line basis over the remaining period of the lease of land upon which the investment properties are situated, after taking into account their estimated residual value.

Tang Rong assesses annually the residual value of the investment properties. If the expectation differs from the original estimate, such difference will impact the depreciation charged in the year in which such estimate is changed. Details of investment properties are disclosed in note 16.

6. Financial Instruments

Categories of financial instruments

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	6,005	4,944	11,301
Financial liabilities			
Amortised cost	330,393	340,156	347,180

Financial risk management objectives and policies

Major financial instruments of Tang Rong include other debtors and deposits, bank balances and cash, other payables and accruals, construction costs accruals, other borrowings, loans from staff and staff of a related company, a director and related companies. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of Tang Rong manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

Tang Rong is exposed to cash flow interest rate risk in relation to variable rate bank balances (see note 18 for details). Cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the bank balances of Tang Rong.

Tang Rong's fair value interest rate risk relates primarily to its fixed-rate other borrowings, loans from staff and staff of a related company, a director, and related companies (see notes 20 and 21 for details). Tang Rong currently does not have an interest rate hedging policy and has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider Tang Rong's exposure to interest rate risk of variable-rate bank balances is not significant as interest bearing bank deposits are within short maturity periods so no sensitivity analysis is presented.

Credit risk

At 31 December 2012, 2013 and 2014, Tang Rong's maximum exposure to credit risk which will cause a financial loss to Tang Rong due to failure to discharge an obligation by the financing guarantees provided by Tang Rong is arising from the amount of contingent liabilities in relation to the financing guarantees issued by Tang Rong as disclosed in note 27. In order to minimise the credit risk, the management of Tang Rong has reviewed the loan repayment status of Ba Qiao as well as the financial performance of Ba Qiao regularly to ensure that follow-up action is taken timely.

Tang Rong's bank balances are deposited with banks of high credit rating and Tang Rong has limited exposure to any single financial institution.

Liquidity risk

In the management of the liquidity risk, Tang Rong monitors and maintains a level of cash and cash equivalents deemed adequate by management of Tang Rong to finance its operations and mitigate the effects of fluctuations in cash flows. Tang Rong will implement several measures as set out in note 1 to enable Tang Rong to meet in full its financial obligations as they fall due for the foreseeable future should the need arise.

The following tables detail the remaining contractual maturity of Tang Rong for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Tang Rong can be required to pay.

	Weighted average interest rate	On demand or within 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012					
Other payables and accruals	N/A	4,294	–	4,294	4,294
Construction costs accruals	N/A	72,771	–	72,771	72,771
Loans from related companies	7.45	253,328	–	253,328	253,328
Financing guarantee					
– Maximum amount guaranteed	N/A	223,634	–	223,634	–
		554,027	–	554,027	330,393

	Weighted average interest rate	On demand or within 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013					
Other payables and accruals	N/A	6,185	–	6,185	6,185
Construction costs accruals	N/A	42,028	–	42,028	42,028
Loans from staff and staff of					
a related company	12.00	215	7,499	7,714	7,543
Loan from a director	12.00	54	807	861	798
Other borrowings	12.00	906	10,107	11,013	9,662
Loan from a related company	6.60	127,504	150,033	277,537	273,940
Financing guarantee					
– Maximum amount guaranteed	N/A	262,769	–	262,769	–
		439,661	168,446	608,107	340,156

	Weighted average interest rate	On demand or within 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014					
Other payables and accruals	N/A	5,757	–	5,757	5,757
Construction costs accruals	N/A	14,018	–	14,018	14,018
Other borrowings	12.00	15,718	32,359	48,077	46,042
Loans from staff and staff of a related company	12.00	3,144	8,711	11,855	11,342
Loan from a director	12.00	978	904	1,882	1,808
Loan from a related company	6.60	21,830	275,175	297,005	268,213
Financing guarantee – Maximum amount guaranteed	N/A	338,007	–	338,007	–
		399,452	317,149	716,601	347,180

The amounts included above for financing guarantee contracts are the maximum amounts Tang Rong could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantee. Based on the expectations at the end of each reporting period, the management of Tang Rong considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

Fair values

The management of Tang Rong considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. Revenue and Segment Information

Revenue represents rental income generated from investment properties during the Relevant Periods.

The key management of Tang Rong, being the chief operating decision makers ("CODM"), regularly reviews the management accounts of Tang Rong, and assesses the assets, liabilities and results of Tang Rong as a whole on a monthly basis to allocate the resources and assess performance. Accordingly, the CODM of Tang Rong considers that Tang Rong only has one single operating segment and therefore only entity wide disclosures are presented.

Geographical information

The principal activity of Tang Rong is leasing of properties and its revenue and results are principally derived from investment properties in the PRC. Its non-current assets are located in the PRC.

Information about major customers

There is no single customer contributing over 10 % of the total revenue of Tang Rong during the Relevant Periods.

8. Other Income, Gains and Losses, net

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	394	57	331
(Loss) gain on disposal of property, plant and equipment	(4)	–	106
Others	(4)	–	379
	386	57	816

9. Finance Costs

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on:			
Other borrowings wholly repayable within five years	–	234	5,379
Loans from staff and staff of a related company wholly repayable within five years	–	383	1,919
Loan from a director wholly repayable within five years	–	30	185
Loans from related companies wholly repayable within five years	2,159	19,685	16,568
Total finance costs	2,159	20,332	24,051

10. Loss before Taxation

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	213	217	216
Depreciation of investment properties	7,290	11,251	11,261
Amortisation of prepaid land lease payments	4,758	7,328	7,294
Staff costs (including directors' emoluments, note 12)			
Fee, wages, salaries and other benefits	5,486	5,316	3,991
Contributions to state-managed retirement benefits scheme	889	795	529
Total staff costs	6,375	6,111	4,520

Note: The auditor's remuneration of Tang Rong is borne by Ba Qiao for the Relevant Periods.

11. Income Tax Expense

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
PRC Enterprise Income Tax	21	–	–
Deferred tax *(note 22)*	440	360	–
	461	360	–

No provision for Hong Kong Profits Tax has been made as Tang Rong's income neither arises in, nor is derived from, Hong Kong.

The concessionary tax rate of 15% is applied to Tang Rong throughout the Relevant Periods as it is recognised as "Go-West" regional development programme corporate which is entitled to apply a tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every year. The latest approvals for Tang Rong were obtained for the years ended 31 December 2012, 2013 and 2014.

The income tax expense for the year can be reconciled to the loss before taxation per the statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(4,006)	(24,086)	(24,885)
Tax at applicable tax rate of 15%	(601)	(3,612)	(3,733)
Tax effect of expenses not deductible for tax purpose	509	1,016	716
Tax effect of tax loss not recognised	553	2,956	3,017
Income tax expense for the year	461	360	–

12. Directors' Emoluments and Employees' Emoluments

Directors' emoluments

Details of the emoluments paid to the directors and chief executive of Tang Rong during the Relevant Periods are as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	912	985	571
Discretionary bonus	31	37	51
Contributions to retirement benefits scheme	26	30	26
	969	1,052	648

Year ended 31 December 2012

	Salaries and allowances	Discretionary bonus	Contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors:				
柳新蓉	74	–	–	74
崔路	74	–	–	74
范全運	44	–	–	44
席有良 *(Note 1)*	295	–	–	295
任戀	44	–	–	44
何永年	44	–	–	44
姜引才	337	31	26	394
	912	31	26	969

Year ended 31 December 2013

	Salaries and allowances	Discretionary bonus	Contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors:				
柳新蓉	76	–	–	76
崔路	76	–	–	76
范全運	45	–	–	45
席有良 *(Note 1)*	303	–	–	303
任戀	45	–	–	45
何永年	45	–	–	45
姜引才	395	37	30	462
	985	37	30	1,052

Year ended 31 December 2014

	Salaries and allowances	Discretionary bonus	Contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors:				
席有良 *(Note 1)*	126	–	–	126
柳新蓉 *(Note 3)*	31	–	–	31
崔路 *(Note 3)*	31	–	–	31
范全運 *(Note 3)*	19	–	–	19
任戀 *(Note 3)*	19	–	–	19
何永年 *(Note 3)*	19	–	–	19
姜引才 *(Note 3)*	326	51	26	403
王梓恆 *(Note 2)*	–	–	–	–
陶衛軍 *(Note 2)*	–	–	–	–
趙鈞 *(Note 2)*	–	–	–	–
陣雲鵬 *(Note 2)*	–	–	–	–
	571	51	26	648

Notes:

(1) The director was appointed as chief executive officer since the date of establishment of Tang Rong.

(2) The disclosed emoluments for individual director represent the emoluments received or receivable after the appointment of directorship on 15 October 2014.

(3) The disclosed emoluments of individual director represent the emoluments received or receivable before the resignation of directorship on 15 October 2014.

Discretionary bonus for the years ended 31 December 2012, 2013 and 2014 were determined by management having regard to the performance of directors and results of Tang Rong from operation.

For the years ended 31 December 2012, 2013 and 2014, the directors of Tang Rong have not waived or agreed to waive any emoluments.

Employees' emoluments

Of the five highest paid individuals of Tang Rong, two of them are directors of Tang Rong whose emoluments are included above during the Relevant Periods and the remunerations and emoluments of the remaining three individuals are as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other allowances	611	643	419
Bonus *(Note)*	67	59	–
Contributions to retirements benefits scheme	40	37	27
	718	739	446

Note: Bonus is determined having regard to the performance of the individuals and market trend.

	2012	**2013**	**2014**
	Number of employees	*Number of employees*	*Number of employees*
The emoluments were within the following band:			
Below HK$1,000,000	3	3	3

During the Relevant Periods, no emolument was paid or payable by Tang Rong to the five highest paid individuals as an inducement to join or upon joining Tang Rong or as compensation for loss of office.

13. Loss per Share

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. Property, Plant and Equipment

	Computer equipment *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST				
At 1 January 2012	267	168	772	1,207
Additions	5	–	–	5
Disposals	(5)	–	–	(5)
Exchange realignment	2	3	6	11
At 31 December 2012	269	171	778	1,218
Exchange realignment	8	4	22	34
At 31 December 2013	277	175	800	1,252
Disposals	–	–	(444)	(444)
Exchange realignment	(7)	(4)	(16)	(27)
At 31 December 2014	270	171	340	781
DEPRECIATION				
At 1 January 2012	48	15	125	188
Provided for the year	42	17	154	213
Eliminated on disposals	(1)	–	–	(1)
Exchange realignment	1	1	3	5
At 31 December 2012	90	33	282	405
Provided for the year	42	17	158	217
Exchange realignment	3	1	10	14
At 31 December 2013	135	51	450	636
Provided for the year	42	17	157	216
Eliminated on disposals	–	–	(375)	(375)
Exchange realignment	(4)	(1)	(9)	(14)
At 31 December 2014	173	67	223	463
CARRYING VALUES				
At 31 December 2012	179	138	496	813
At 31 December 2013	142	124	350	616
At 31 December 2014	97	104	117	318

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computer equipment	20%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

15. Interest in an Associate

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at cost	3,075	3,075	3,075
Exchange realignment	34	34	34
	3,109	3,109	3,109

Details of Tang Rong's associate as at 31 December 2012, 2013 and 2014 are as follows:

Name of associate	**Place of establishment**	**Registered capital**	**Effective interest held by the Target Group**
Wu Long	PRC	RMB10,000,000	25%

The associate has not commenced its business operation since its establishment.

16. Investment Properties

	As at 31 December		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
COST			
Completed investment properties held for rental purposes:			
At the beginning of the year	–	448,636	462,489
Additions	–	1,095	2,296
Transfer from investment properties under construction	443,763	–	–
Exchange realignment	4,873	12,758	(11,373)
At the end of the year	448,636	462,489	453,412
DEPRECIATION			
At the beginning of the year	–	7,370	18,976
Provided for the year	7,290	11,251	11,261
Exchange realignment	80	355	(551)
At the end of the year	7,370	18,976	29,686
CARRYING VALUES			
At the end of the year	441,266	443,513	423,726
COST AND CARRYING AMOUNT			
Investment properties under construction *(Note (a))*:			
At the beginning of the year	225,479	–	–
Additions	219,003	–	–
Transfer to completed properties held for rental purpose	(443,763)	–	–
Exchange realignment	(719)	–	–
At the end of the year	–	–	–
Total	441,266	443,513	423,726

Notes:

(a) The amount represents the construction costs for the building framework which constitutes the investment properties. The building is situated on land located in the PRC held under medium-term lease.

(b) At 31 December 2014, certain portions of Tang Rong's investment properties with carrying amount of HK$251,456,000 have been pledged to secure general banking facilities granted to Ba Qiao.

The above investment properties are depreciated on a straight-line basis over the term of the lease of leasehold land which will expire on 2 December 2052.

Tang Rong solely owns the building framework of a shopping mall in Xi'an City while the related leasehold improvements were held by Ba Qiao. The fair values of the investment properties of Tang Rong could not be reliably estimated at 31 December 2012, 2013 and 2014.

17. Prepaid land lease payments

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purpose as:			
Current assets	7,216	7,421	7,239
Non-current assets	280,821	281,377	267,230
	288,037	288,798	274,469
Prepaid land lease payments represent:			
Leased land outside Hong Kong			
Medium-term lease	288,037	288,798	274,469

18. Bank Balances and Cash

Balances include saving accounts, which are carrying interests at prevailing market rates.

19. Receipts in Advance

Tang Rong has entered into rental contracts with tenants and received advance payments representing deposits and prepaid rental which are non-interest bearing. As at 31 December 2012, 2013 and 2014, receipts in advance is classified as current and non-current liabilities by reference to expected utilisation of rental prepayments or in the case of deposits received, termination date of the leases as stated on the relevant contracts.

20. Loans from staff and staff of a related company, loan from a Director and other borrowings

	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Loans from staff	–	1,773	3,030
Loans from staff of a related company *(Note a)*	–	5,770	8,312
	–	7,543	11,342
Loan from a director	–	798	1,808
Other borrowings *(Note b)*	–	9,662	46,042

Notes:

(a) These staff are employed by the related company, Ba Qiao.

(b) Other borrowings represent loans from independent third parties.

The amounts are repayable within a year after the date of withdrawal and unsecured.

The effective interest rate of the loans is 12% per annum.

21. Loans from Related Companies

At 31 December 2012, Tang Rong had a fixed rate loan advanced from 西安秦澧投資發展股份有限公司 ("秦澧") of amount of HK$125,835,000. 秦澧's ultimate controlling shareholder is 席有良, who is one of the directors of, and having significant influence over both Tang Rong and Ba Qiao. The amount was unsecured and with no fixed repayment term. The effective interest rate of loan from a related company was 15% per annum. The loan had been fully repaid in November 2013.

In addition, at 31 December 2012, 2013 and 2014, there were principal amounts of RMB102,521,000 (equivalent to HK$127,493,000), RMB214,200,000 (equivalent to HK$273,940,000) and RMB215,000,000 (equivalent to HK$268,213,000) advanced from Ba Qiao respectively. The amounts were unsecured and were repayable a year after the date of withdrawal. The interest rate of loan from Ba Qiao as at 31 December 2013 and 2014 was 6.60% per annum while the loan from Ba Qiao as at 31 December 2012 was non-interest bearing.

22. Deferred Taxation

The following are the deferred tax (assets) and liabilities recognised and movements thereon during the Relevant Periods:

	Tax losses recognised	Pre-operating expenses	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	–	(807)	14	(793)
Exchange realignment	–	(7)	6	(1)
Charged to profit or loss *(note 11)*	–	(37)	477	440
At 31 December 2012	–	(851)	497	(354)
Exchange realignment	(12)	(19)	25	(6)
Charged to profit or loss *(note 11)*	(930)	370	920	360
At 31 December 2013	(942)	(500)	1,442	–
Exchange realignment	33	9	(42)	–
Charged to profit or loss *(note 11)*	(1,263)	368	895	–
At 31 December 2014	(2,172)	(123)	2,295	–

Tang Rong has unused tax losses of approximately RMB3,005,000, RMB23,524,000 and RMB46,223,000 (equivalent to HK$3,736,000, HK$30,084,000 and HK$57,664,000) at 31 December 2012, 2013 and 2014 respectively, which are available to offset against future profit. A deferred tax asset has been recognised in respect of nil, RMB4,911,000 and RMB11,609,000 (equivalent to for nil, HK$6,280,000 and HK$14,480,000) of such tax losses as at 31 December 2012, 2013 and 2014 respectively of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB3,005,000, RMB18,613,000 and RMB34,614,000 (equivalent to HK$3,736,000, HK$23,804,000 and HK$43,184,000) at 31 December 2012, 2013 and 2014 due to unpredictability of future profit streams respectively. As at 31 December 2012, 2013 and 2014, included in unrecognised tax losses are losses of RMB3,005,000, RMB18,613,000 and RMB34,614,000 (equivalent to HK$3,736,000, HK$23,804,000 and HK$43,184,000) which will expire in 5 years from the year of origination which is ranged from 2017 to 2019 respectively.

23. Paid-up Capital

The below paid-up capital at 1 January 2012, 31 December 2012, 2013 and 2014 represents the fully paid-up and registered capital of Tang Rong.

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	160,000	160,000	160,000
Transfer from share premium *(Note)*	–	–	160,000
At 31 December	160,000	160,000	320,000
	HK$'000	*HK$'000*	*HK$'000*
Shown in the Financial Information as	182,600	182,600	365,200

	Number of shares		
	2012	**2013**	**2014**
At 1 January and 31 December	160,000,000	160,000,000	N/A

Note: The nominal value of each of the shares was RMB1. Pursuant to the resolution approved by the shareholders of Tang Rong at the special general meeting held on 31 March 2014, all the share premium of Tang Rong was transferred to the share capital by alloting 160,000,000 new ordinary shares to its existing shareholders in proportion to the shares owned by them at the same date. On 20 November 2014, Tang Rong was approved to change from a joint stock company to a registered company with limited liability.

24. Related Party Transactions

Apart from the loans from a director and related companies as disclosed in the statements of financial position, notes 20 and 21 respectively, Tang Rong entered into the followings transactions with related parties:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on loan from related companies	2,159	19,685	16,568
Interest expense on loan from a director	–	30	185

Apart from the transaction as listed in the table above, corporate guarantees were provided to banks in respect of bank borrowings granted to Ba Qiao as at 31 December 2012, 2013 and 2014 respectively. Details of the guarantee amounts are set out in note 27. In addition, certain portion of investment properties held by Tang Rong with carrying amount of HK$251,456,000 were pledged to banks for Ba Qiao in securing the relevant bank borrowing amounted to RMB270,948,000 (equivalent to HK$338,007,000) as at 31 December 2014.

Compensation of key management personnel

The directors of Tang Rong consider that the directors and certain management of Tang Rong are the key management of Tang Rong. The remuneration of key management personnel of Tang Rong during the Relevant Periods was as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other short-term payable benefits	1,656	1,725	1,042
Post-employment benefits	67	67	53
	1,723	1,792	1,095

The remuneration of the key management personnel of Tang Rong is determined having regard to the performance of the individuals and market trend.

25. Capital Commitment

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Construction commitments contracted for but not provided	9,381	9,647	9,410

26. Major Non-cash Transaction

During the year ended 31 December 2012, Tang Rong utilised approximately HK$127,336,000 of deposits paid for construction of investment properties.

27. Contingent Liabilities

As at 31 December 2012, 2013 and 2014, Tang Rong has provided corporate guarantees to certain banks for Ba Qiao to obtain bank borrowings amounted to RMB179,832,000 (equivalent to HK$223,634,000), RMB205,464,000 (equivalent to HK$262,769,000) and RMB270,948,000 (equivalent to HK$338,007,000) respectively.

(B) EVENTS AFTER THE REPORTING PERIOD

On 27 November 2014, High Express International Limited ("High Express") entered into a sale and purchase agreement with the shareholders of Tang Rong whereby High Express agreed to acquire 73.375% of the equity interests in Tang Rong from those shareholders of Tang Rong at a cash consideration of RMB256,000,000. Based on the approval by the relevant government authorities, the acquisition was completed on 9 February 2015, upon which Tang Rong became a subsidiary of High Express. Mr. Li Chi Yung becomes the ultimate controlling shareholder of Tang Rong. Sino Virtue Holdings Limited and E-Innovation Limited become the ultimate holding company and intermediate holding company of Tang Rong respectively.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Tang Rong have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

6 May 2015

The Directors
Chinlink International Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 西安大明宮灞橋建材家居有限公司 (Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited) ("Ba Qiao") for each of the three years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), for inclusion in a circular issued by Chinlink International Holdings Limited (the "Company") dated 6 May 2015 (the "Circular") in connection with the proposed very substantial acquisition in relation to the acquisition of the entire issued share capital of and sale loan due by E-Innovation Limited (the "Target Company"), the intermediate holding company of Ba Qiao since 7 January 2015 and as at the date of this report, involving issue of new shares under specific mandate and issue of bond (the "Acquisition").

Ba Qiao was established in the People's Republic of China ("PRC") on 21 January 2011 as a joint stock company with limited liability and was formerly named as 西安大明宮灞橋建材家居股份有限公司. On 23 September 2014, Ba Qiao changed its name to 西安大明宮灞橋建材家居有限公司. Ba Qiao was changed to a registered company with limited liability on 27 November 2014 and then to a sino-foreign equity joint venture on 1 January 2015. At the date of this report, the principal activities of Ba Qiao are the operation and management of commercial buildings.

The financial year end date of Ba Qiao is 31 December. The statutory financial statements of Ba Qiao for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by 陝西省康華會計師事務所有限責任公司 ("Shaanxi Kanghua Certified Public Accountants Co., Ltd"), certified public accountants registered in the PRC.

For the purpose of this report, the directors of Ba Qiao have prepared the financial statements of Ba Qiao for the Relevant Periods in accordance with significant accounting policies, as set out in note 3 to the Financial Information, which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Ba Qiao for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Ba Qiao who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Ba Qiao as at 31 December 2012, 31 December 2013 and 31 December 2014 and of the results and cash flows of Ba Qiao for the Relevant Periods.

(A) FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2012	2013	2014
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*6*	68,733	68,972	65,270
Cost of services		(39,069)	(49,636)	(49,363)
Gross profit		29,664	19,336	15,907
Other income, gains and losses, net	*7*	6,838	19,463	17,401
Selling and marketing expenses		(13,820)	(13,471)	(14,259)
Administrative expenses		(10,188)	(10,870)	(10,713)
Finance costs	*8*	(12,630)	(30,418)	(25,976)
Loss before taxation	*9*	(136)	(15,960)	(17,640)
Income tax expense	*10*	(594)	(303)	–
Loss for the year attributable to the owners of Ba Qiao		(730)	(16,263)	(17,640)
Other comprehensive income (expense)				
Items that will not be subsequently reclassified to profit or loss:				
Exchange difference arising from translation to presentation currency		737	2,517	(1,885)
Total comprehensive income (expense) for the year attributable to the owners of Ba Qiao		7	(13,746)	(19,525)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2012	2013	2014
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	248,255	227,474	193,865
Deferred tax assets	*19*	298	–	–
Amount due from a related company	*15*	127,493	273,940	–
		376,046	501,414	193,865
CURRENT ASSETS				
Other debtors, deposits and prepayments		1,003	97	755
Loan receivable	*14*	49,743	10,231	–
Amount due from a related company	*15*	–	–	268,213
Bank balances and cash	*16*	26,624	28,692	24,323
		77,370	39,020	293,291
CURRENT LIABILITIES				
Other payables and accruals		3,597	6,482	7,511
Construction costs accruals		56,917	34,436	2,442
Tax payables		865	890	868
Receipts in advance	*17*	35,138	25,315	28,975
Deposits received from tenants	*17*	22,003	21,364	24,928
Bank and other borrowings	*18*	136,584	341,710	65,890
		255,104	430,197	130,614
NET CURRENT (LIABILITIES) ASSETS		(177,734)	(391,177)	162,677
TOTAL ASSETS LESS CURRENT LIABILITIES		198,312	110,237	356,542

		As at 31 December		
		2012	2013	2014
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES				
Receipts in advance	*17*	13,641	26,385	20,472
Deposits received from tenants	*17*	1,619	1,596	1,222
Bank and other borrowings	*18*	87,050	–	272,117
		102,310	27,981	293,811
NET ASSETS		96,002	82,256	62,731
CAPITAL AND RESERVES				
Paid-up capital	*20*	47,280	47,280	94,560
Reserves		48,722	34,976	(31,829)
EQUITY ATTRIBUTABLE TO OWNERS OF BA QIAO		96,002	82,256	62,731

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Ba Qiao				
	Paid-up capital	**Share premium**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	47,280	47,280	4,100	(2,665)	95,995
Loss for the year	–	–	–	(730)	(730)
Other comprehensive income:					
Exchange difference arising on translation	–	–	737	–	737
Total comprehensive income for the year	–	–	737	(730)	7
At 31 December 2012	47,280	47,280	4,837	(3,395)	96,002
Loss for the year	–	–	–	(16,263)	(16,263)
Other comprehensive income:					
Exchange difference arising on translation	–	–	2,517	–	2,517
Total comprehensive expense for the year	–	–	2,517	(16,263)	(13,746)
At 31 December 2013	47,280	47,280	7,354	(19,658)	82,256
Loss for the year	–	–	–	(17,640)	(17,640)
Other comprehensive expense:					
Exchange difference arising on translation	–	–	(1,885)	–	(1,885)
Total comprehensive expense for the year	–	–	(1,885)	(17,640)	(19,525)
Transfer from share premium *(Note)*	47,280	(47,280)	–	–	–
As at 31 December 2014	94,560	–	5,469	(37,298)	62,731

Note: Pursuant to the resolution approved by the shareholders of Ba Qiao at the special general meeting held on 31 March 2014, all the share premium of Ba Qiao was transferred to the share capital on the same date. On 27 November 2014, Ba Qiao was approved to change from a joint stock company to a registered company with limited liability.

STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Loss before taxation	(136)	(15,960)	(17,640)
Adjustments for:			
Finance costs	12,630	30,418	25,976
Depreciation of property, plant and equipment	18,047	27,554	27,314
Interest income	(6,855)	(19,381)	(17,101)
Gain on disposal of property, plant and equipment	–	–	(469)
Operating cash flows before movements in working capital	23,686	22,631	18,080
(Decrease) increase in deposits received from tenants	(8,269)	(1,316)	3,783
(Increase) decrease in other debtors, deposits and prepayments	(989)	923	(662)
(Decrease) increase in receipts in advance	(39,979)	1,516	(991)
Increase in other payables and accruals	2,308	2,756	1,185
Cash (used in) generated from operations	(23,243)	26,510	21,395
Income taxes paid	(143)	–	–
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(23,386)	26,510	21,395
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(117,552)	(76)	(9)
Proceeds on disposal of property, plant and equipment	–	–	1,402
Repayment from an independent third party	24,600	40,403	10,056
Settlement of construction cost accruals	(7,592)	(23,790)	(31,386)
Interest received	11,288	19,381	17,101
Repayment from a related company	14,761	27,552	55,558
Advance to a related company	(140,869)	(168,557)	(56,564)
NET CASH USED IN INVESTING ACTIVITIES	(215,364)	(105,087)	(3,842)

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Advances from related companies	–	163,410	–
Repayments to related companies	–	(163,410)	–
Finance costs paid	(11,884)	(28,165)	(28,166)
New bank and other borrowings raised	228,573	214,642	364,524
Repayment of bank and other borrowings	(49,203)	(106,596)	(357,611)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	167,486	79,881	(21,253)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(71,264)	1,304	(3,700)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	97,540	26,624	28,692
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	348	764	(669)
CASH AND CASH EQUIVALENTS CARRIED FORWARD, representing bank balances and cash	26,624	28,692	24,323

NOTES TO THE FINANCIAL INFORMATION

1. General and Basis of Preparation

Ba Qiao is a private limited company established in the PRC. The address of the registered office and principal place of business of Ba Qiao is Room 10701, Unit 1, Block 1, Guo Jia Tan, 1600 Ban Po Road, Ba Qiao District, Xi'an City.

The functional currency of the Ba Qiao is Renminbi ("RMB"). For the convenience of the Financial Information users, the Financial Information of Ba Qiao is presented in Hong Kong dollars ("HK$").

The principal activities of Ba Qiao are operation and management of commercial buildings.

Going concern basis

In preparing the Financial Information, the directors of Ba Qiao have given careful consideration to the future liquidity of Ba Qiao in light of the fact that, as at 31 December 2014, the expected time for settlement of amount due from a related company, 西安唐榮置業有限公司 (Xi'an Tang Rong Real Estate Limited) ("Tang Rong") in which 席有良 is one of the directors of, and having significant influence over, both Tang Rong and Ba Qiao, of HK$268,213,000 is critical to the liquidity of Ba Qiao. As at 31 December 2014, out of the bank borrowing of HK$338,007,000, HK$268,213,000 was utilised by lending to Tang Rong charging the same interest rate as the rate charged by the bank.

Ba Qiao and Tang Rong agreed that, in case the Acquisition is not complete, both parties will restructure the loan arrangement in which Tang Rong will fully settle the amount due to Ba Qiao of HK$268,213,000. Tang Rong will be the party to sign the loan agreement (the " New Loan") with a bank. The New Loan will be utilised for repaying the existing bank borrowings under Ba Qiao of HK$338,007,000 and for working capital of both Tang Rong and Ba Qiao should the need arise. The New Loan will be secured by the investment properties and land owned by Tang Rong and leasehold improvements owned by Ba Qiao. At 31 December 2014, the fair value of these assets estimated by independent professional valuer is in aggregate RMB1,815,000,000 (equivalent to HK$2,264,213,000). Accordingly, the directors of Ba Qiao is confident that Tang Rong has ability to settle the outstanding balance and financially support Ba Qiao. In case the Acquisition is complete, the Company will provide financial support to Ba Qiao.

After taking into account the above arrangement, the directors of Ba Qiao consider that Ba Qiao will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

2. Application of Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information throughout the Relevant Periods, Ba Qiao has consistently applied Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("INT") (herein collectively referred to as "HKFRSs") issued by the HKICPA that are effective for Ba Qiao's financial year beginning on 1 January 2014.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective. Ba Qiao has not early applied any of these new and revised HKFRSs.

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 July 2014

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of Ba Qiao do not anticipate that the application of these new and revised HKFRSs will have a material impact on the Financial Information of Ba Qiao.

3. Significant Accounting Policies

The Financial Information has been prepared in accordance with accounting policies conform with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance, which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangement for Part 9 of Hong Kong Companies Ordinance (Cap. 622).

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts and sales related tax.

Management fee income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Ba Qiao and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Ba Qiao's accounting policies. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit scheme in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'results before tax' as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Ba Qiao's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Ba Qiao expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Ba Qiao becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Ba Qiao's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a related company, loan receivable, other debtors and deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Ba Qiao derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and cumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by Ba Qiao are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Ba Qiao after deducting all of its liabilities. Equity instruments issued by Ba Qiao are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables and accruals, construction costs accruals, deposits received from tenants and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Ba Qiao derecognises financial liabilities when, and only when, Ba Qiao obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, Ba Qiao reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Ba Qiao estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. Capital Risk Management

Ba Qiao manages its capital to ensure that Ba Qiao will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of Ba Qiao consists of debts, representing bank and other borrowings, and equity attributable to owners of Ba Qiao, comprising paid in capital and reserves.

The directors of Ba Qiao review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, Ba Qiao will balance its overall capital structure through issue of new debts or the redemption of existing debts.

5. Financial Instruments

Categories of financial instruments

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	204,387	312,960	292,892
Financial liabilities			
Amortised cost	307,770	405,588	374,110

Financial risk management objectives and policies

Ba Qiao's major financial instruments include other debtors, amount due from a related company, loan receivable, bank balances and cash, other payables and accruals, construction costs accruals, deposits received from tenants and bank and other borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of Ba Qiao manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

Ba Qiao is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 16 for details) and variable-rate bank borrowings (see note 18 for details). Cash flow interest rate risk of Ba Qiao is mainly concentrated on the fluctuation of base rate fixed by the People's Bank of China ("PBOC") arising from the bank borrowings.

The fair value interest rate risk of Ba Qiao relates primarily to its fixed-rate bank and other borrowings (see note 18 for details). Ba Qiao currently does not have an interest rate hedging policy and has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to interest rates for the variable-rate bank borrowings and variable-rate bank balances at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis point increase or decrease represented management's assessment of the reasonably possible change in interest rates. A negative number below indicates an increase in post-tax loss where the interest rates had been 25 basis points higher and all other variables were held constant. For interest rates had been 25 basis points lower, there would be an equal and opposite impact on the result for each of the relevant year.

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
(Increase) in post-tax loss for the year	(182)	(236)	(667)

In the directors' opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the Relevant Periods.

Credit risk

As at 31 December 2012 and 2013, Ba Qiao has concentration of credit risk in relation to the loan receivable from an independent third party as disclosed in note 14 and amount due from a related company as disclosed in note 15. In order to minimise the credit risk, the management of Ba Qiao has reviewed the recoverability of the loan due from this independent third party and amount due from a related company regularly to ensure that follow-up action is taken timely. The loan receivable had been subsequently settled in January 2014. Management of Ba Qiao closely monitors the financial performance of the related company, Tang Rong. Besides, after 9 February 2015, Tang Rong becomes the fellow subsidiary of Ba Qiao. In this regard, the management of Ba Qiao considers that the credit risk on the balances is significantly reduced.

Bank balances of Ba Qiao are deposited with banks of high credit rating and Ba Qiao has limited exposure to any single financial institution.

Liquidity risk

In the management of the liquidity risk, Ba Qiao monitors and maintains a level of cash and cash equivalents deemed adequate by management of Ba Qiao to finance its operations and mitigate the effects of fluctuations in cash flows.

The following tables detail remaining contractual maturity of Ba Qiao for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Ba Qiao can be required to pay.

	Weighted average interest rate	On demand or within 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012								
Other payables and accruals	N/A	3,597	–	–	–	–	3,597	3,597
Construction costs accruals	N/A	56,917	–	–	–	–	56,917	56,917
Deposits received from tenants	N/A	–	22,003	–	410	1,209	23,622	23,622
Bank borrowings – fixed rate	7.45	1,534	76,117	–	–	–	77,651	74,068
Bank borrowings – variable rate	8.13	9,186	63,795	90,120	–	–	163,101	149,566
		71,234	161,915	90,120	410	1,209	324,888	307,770

	Weighted average interest rate	On demand or within 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013								
Other payables and accruals	N/A	6,482	–	–	–	–	6,482	6,482
Construction costs accruals	N/A	34,436	–	–	–	–	34,436	34,436
Deposits received from tenants	N/A	–	21,364	–	422	1,174	22,960	22,960
Other borrowings – fixed rate	12.00	78,941	–	–	–	–	78,941	78,941
Bank borrowings – fixed rate	7.71	2,385	127,084	–	–	–	129,469	121,781
Bank borrowings – variable rate	8.59	15,785	129,997	–	–	–	145,782	140,988
Financing guarantee – Maximum amount guaranteed	N/A	1,717	–	–	–	–	1,717	–
		139,746	278,445	–	422	1,174	419,787	405,588

	Weighted average interest rate	On demand or within 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014								
Other payables and accruals	N/A	7,511	–	–	–	–	7,511	7,511
Construction costs accruals	N/A	2,442	–	–	–	–	2,442	2,442
Deposits received from tenants	N/A	–	24,928	–	349	873	26,150	26,150
Bank borrowings – variable rate	7.04	5,970	79,336	51,831	152,677	176,173	465,987	338,007
Financing guarantee – Maximum amount guaranteed	N/A	1,299	–	–	–	–	1,299	–
		17,222	104,264	51,831	153,026	177,046	503,389	374,110

Fair values

The management of Ba Qiao considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

6. Revenue and Segment Information

Revenue represents management fee income during the Relevant Periods.

The key management of Ba Qiao, being the chief operating decision makers ("CODM"), regularly reviews the management accounts of Ba Qiao, and assesses the results, assets and liabilities of Ba Qiao as a whole on a monthly basis, together with the results, assets and liabilities of Tang Rong, as Tang Rong holds the land and building framework of a shopping centre in Xi'an to which Ba Qiao renders management services, to allocate the resources and assess performance. Accordingly, the CODM of Ba Qiao considers that Ba Qiao only has one operating segment and therefore only entity wide disclosures are presented.

Geographical information

The principal activities of Ba Qiao is operation and management of commercial buildings and its revenue and results are principally derived from the provision of management services to tenants of commercial buildings owned by Tang Rong in the PRC. Its non-current assets are mainly leasehold improvements attached to the buildings owned by Tang Rong located in the PRC.

Information about major customers

There is no single customer contributing over 10 % of the total revenue of Ba Qiao during the Relevant Periods.

7. Other Income, Gains and Losses, Net

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	561	212	533
Interest income from a related company	–	14,905	16,568
Interest income derived from loan receivable	6,294	4,264	–
Gain on disposal of property, plant and equipment	–	–	469
Others	(17)	82	(169)
	6,838	19,463	17,401

8. Finance Costs

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on:			
Bank and other borrowings wholly repayable within five years	14,815	18,851	22,766
Bank and other borrowings wholly repayable after five years	–	–	3,210
Loans from related companies wholly repayable within five years	–	11,567	–
Total finance costs	14,815	30,418	25,976
Less: Amount capitalised in properties, plant and equipment under construction	(2,185)	–	–
	12,630	30,418	25,976

Finance costs capitalised during the year ended 31 December 2012 arose on the specific borrowing was approximately HK$2,185,000 (two years ended 31 December 2013 and 2014: nil).

9. Loss before Taxation

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year has been arrived at after charging (crediting):			
Auditor's remuneration	10	6	9
Depreciation of property, plant and equipment	18,047	27,554	27,314
Gain on disposal of property, plant and equipment	–	–	(469)
Staff costs (including directors' remuneration, note 11)			
Fee, wages, salaries and other benefits	8,731	9,410	9,965
Contributions to state-managed retirement benefits scheme	1,342	1,659	2,003
Total staff costs	10,073	11,069	11,968

10. Income Tax Expense

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
PRC Enterprise Income Tax	–	–	–
Deferred tax *(note 19)*	594	303	–
	594	303	–

No provision for Hong Kong Profits Tax has been made as income generated from Ba Qiao neither arises in, nor is derived from, Hong Kong.

The concessionary tax rate of 15% is applied to Ba Qiao during the Relevant Periods as Ba Qiao is recognised as "Go-West" regional development programme corporate which is entitled to apply a tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every year. The latest approvals for Ba Qiao enjoying this tax benefit were obtained for the years ended 31 December 2012, 2013 and 2014.

The income tax expense for the year can be reconciled to the loss before taxation per the statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(136)	(15,960)	(17,640)
Tax at applicable tax rate of 15%	(20)	(2,394)	(2,646)
Tax effect of expenses not deductible for tax purpose	588	2,248	1,472
Tax effect of tax loss not recognised	26	449	1,174
Income tax expense for the year	594	303	–

11. Directors' Emoluments and Employees' Emoluments

Directors' emoluments

Details of the emoluments paid to the directors and chief executive of Ba Qiao during the Relevant Periods are as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	339	348	145
Contributions to state-managed retirement benefits scheme	–	–	–
	339	348	145

Year ended 31 December 2012

	Salaries and allowances *HK$'000*	**Contribution to state-managed retirement benefits scheme** *HK$'000*	**Total** *HK$'000*
Directors:			
柳新蓉	73	–	73
白淑莉	73	–	73
范峥	30	–	30
伍美娟	30	–	30
何俊哲	30	–	30
李戰	30	–	30
王勝利	73	–	73
	339	–	339

Year ended 31 December 2013

	Salaries and allowances *HK$'000*	**Contribution to state-managed retirement benefits scheme** *HK$'000*	**Total** *HK$'000*
Directors:			
柳新蓉	76	–	76
白淑莉	76	–	76
范峥	30	–	30
伍美娟	30	–	30
何俊哲	30	–	30
李戰	30	–	30
王勝利	76	–	76
	348	–	348

Year ended 31 December 2014

	Salaries and allowances *HK$'000*	**Contribution to state-managed retirement benefits scheme** *HK$'000*	**Total** *HK$'000*
Directors:			
席有良 *(Note 1)*	–	–	–
王梓恆 *(Note 2)*	–	–	–
陶衛軍 *(Note 2)*	–	–	–
趙鈞 *(Note 2)*	–	–	–
陳雲鵬 *(Note 2)*	–	–	–
柳新蓉 *(Note 3)*	31	–	31
白淑莉 *(Note 3)*	31	–	31
范崢 *(Note 3)*	13	–	13
伍美娟 *(Note 3)*	13	–	13
何俊哲 *(Note 3)*	13	–	13
李戰 *(Note 3)*	13	–	13
王勝利 *(Note 3)*	31	–	31
	145	–	145

Notes:

(1) The director was appointed as chief executive officer on 5 October 2014.

(2) The disclosed emoluments for individual director represent the emoluments received or receivable after the appointment of directorship on 15 October 2014.

(3) The disclosed emoluments of individual director represent the emoluments received or receivable before the resignation of directorship on 15 October 2014.

For the years ended 31 December 2012, 2013 and 2014, the directors of Ba Qiao have not waived or agreed to waive any emoluments.

Employees' emoluments

Of the five highest paid individuals of Ba Qiao, five are employees and their remunerations and emoluments are as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other allowances	836	1,224	913
Bonus *(Note)*	73	106	96
Contributions to state-managed retirement benefits scheme	103	114	120
	1,012	1,444	1,129

Note: Bonus is determined having regard to the performance of the individuals and market trend.

	2012	**2013**	**2014**
	Number of employees	*Number of employees*	*Number of employees*
The emoluments were within the following band:			
Below HK$1,000,000	5	5	5

During the Relevant Periods, no emolument was paid or payable by Ba Qiao to the five highest paid individuals as an inducement to join or upon joining Ba Qiao or as compensation for loss of office.

12. Loss per Share

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. Property, Plant and Equipment

	Leasehold improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2012	–	27	540	3,766	64,912	69,245
Additions	–	851	1,409	–	192,437	194,697
Transfer from construction in progress	257,141	–	–	–	(257,141)	–
Exchange realignment	2,824	10	19	29	(208)	2,674
At 31 December 2012	259,965	888	1,968	3,795	–	266,616
Additions	–	76	–	–	–	76
Exchange realignment	7,384	26	56	108	–	7,574
At 31 December 2013	267,349	990	2,024	3,903	–	274,266
Additions	–	–	9	–	–	9
Disposals	–	–	–	(2,114)	–	(2,114)
Exchange realignment	(6,564)	(24)	(50)	(79)	–	(6,717)
At 31 December 2014	260,785	966	1,983	1,710	–	265,444
DEPRECIATION						
At 1 January 2012	–	2	15	98	–	115
Provided for the year	17,143	35	116	753	–	18,047
Exchange realignment	188	1	1	9	–	199
At 31 December 2012	17,331	38	132	860	–	18,361
Provided for the year	26,394	190	199	771	–	27,554
Exchange realignment	833	3	7	34	–	877
At 31 December 2013	44,558	231	338	1,665	–	46,792
Provided for the year	26,277	195	199	643	–	27,314
Eliminated on disposals	–	–	–	(1,181)	–	(1,181)
Exchange realignment	(1,292)	(7)	(10)	(37)	–	(1,346)
At 31 December 2014	69,543	419	527	1,090	–	71,579
CARRYING VALUES						
At 31 December 2012	242,634	850	1,836	2,935	–	248,255
At 31 December 2013	222,791	759	1,686	2,238	–	227,474
At 31 December 2014	191,242	547	1,456	620	–	193,865

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	10%
Computer equipment	20%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

14. Loan Receivable

The amount represented the outstanding receivable due from an independent third party. The amount was secured by the corporate and personal guarantees from other independent third parties, with no fixed repayment term and carried fixed interest rate at 9% per annum. The amount had been fully settled in January 2014.

15. Amount due from a Related Company

At 31 December 2012, 2013 and 2014, there were principal amounts of RMB102,521,000 (equivalent to HK$127,493,000), RMB214,200,000 (equivalent to HK$273,940,000) and RMB215,000,000 (equivalent to HK$268,213,000) advanced to Tang Rong respectively. The amounts were unsecured and were repayable a year after the date of withdrawal. The interest rate of loan to Tang Rong as at 31 December 2013 and 2014 was 6.60% per annum while the loan to Tang Rong as at 31 December 2012 was non-interest bearing.

At 31 December 2012 and 2013, the directors of Ba Qiao expected such amount would not be settled within a year and therefore such amounts were classified as non-current in nature.

At 31 December 2014, as explained in note 1, such amount will be settled no matter the Acquisition is complete or not. Accordingly, the amount is classified as current asset.

16. Bank Balances and Cash

The balances include saving accounts, which carries interests at prevailing market rates.

17. Receipts in Advance and Deposits Received from Tenants

Ba Qiao has entered into contracts of provision of property management services with tenants and received management fees in advance and deposits from tenants which are non-interest bearing. As at 31 December 2012, 2013 and 2014, receipts in advances and deposits received from tenants are classified as current and non-current liabilities based on the timing of performance of the related management services and the rental periods respectively, as stated on the relevant contracts.

18. Bank and Other Borrowings

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings	223,634	262,769	338,007
Other borrowing	–	78,941	–
	223,634	341,710	338,007
Carrying amounts of the borrowings repayable based on contractual term[#]:			
Within one year	136,584	341,710	65,890
More than one year, but not exceeding two years	87,050	–	29,703
More than two years, but not exceeding five years	–	–	105,863
More than five years	–	–	136,551
	223,634	341,710	338,007
Less: Amount due within one year shown under current liabilities	(136,584)	(341,710)	(65,890)
Amount shown under non-current liabilities	87,050	–	272,117
Secured *(Note)*	223,634	262,769	338,007
Unsecured	–	78,941	–
	223,634	341,710	338,007

Note: Details of pledge of assets and guarantee on the borrowings are set out in note 21.

[#] The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2014, Ba Qiao has a significant secured variable rate bank borrowing, which is denominated in RMB, carries effective interest rate at 7.10% per annum which is determined by the base rate fixed by PBOC times 130% and is repriced yearly. At 31 December 2014, the carrying amount of such bank borrowing amounts to HK$299,896,000 (HK$27,779,000 repayable within 1 year, HK$29,703,000 repayable 1 to 2 years, HK$105,863,000 repayable 2 to 5 years and HK$136,551,000 repayable over 5 years).

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on remaining bank borrowings of Ba Qiao are as follows:

	As at 31 December		
	2012	2013	2014
Effective interest rate:			
Fixed-rate bank borrowings	7.45%	7.45% – 7.81%	N/A
Variable-rate bank borrowings*	6.48% – 8.69%	6.48% – 9.62%	6.68%

* The interest rates of all the variable rate bank borrowings of Ba Qiao are based on the base rate fixed by the PBOC plus a premium.

At 31 December 2013, the other borrowing was unsecured, carried at a fixed-interest rate of 12.00% per annum and had no fixed repayment term.

19. Deferred Tax Liabilities

The following are the deferred tax (assets) and liabilities recognised and movements thereon during the Relevant Periods:

	Pre-operating expenses	Accelerated tax depreciation	Tax Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	(897)	6	–	(891)
Exchange realignment	(7)	6	–	(1)
Charged to profit or loss *(note 10)*	114	480	–	594
At 31 December 2012	(790)	492	–	(298)
Exchange realignment	(18)	26	(13)	(5)
Charged to profit or loss *(note 10)*	399	943	(1,039)	303
At 31 December 2013	(409)	1,461	(1,052)	–
Exchange realignment	8	(47)	39	–
Charged to profit or loss *(note 10)*	302	1,523	(1,825)	–
At 31 December 2014	(99)	2,937	(2,838)	–

Ba Qiao has unused tax losses of approximately RMB140,000, RMB7,994,000 and RMB23,900,000 (equivalent to HK$175,000, HK$10,224,000 and HK$29,816,000) at 31 December 2012, 2013 and 2014 respectively, which are available to offset against future profit. A deferred tax asset has been recognised in respect of nil, RMB5,486,000 and RMB15,166,000 (equivalent to nil, HK$7,016,000 and HK$18,920,000) of such losses at 31 December 2012, 2013 and 2014 respectively. No deferred tax asset has been recognised for the remaining tax losses of RMB140,000, RMB2,508,000 and RMB8,734,000 (equivalent to HK$175,000, HK$3,208,000 and HK$10,896,000) due to unpredictability of future profit streams. As at 31 December 2012, 2013 and 2014, included in unrecognised tax losses are losses of RMB140,000, RMB2,508,000 and RMB8,734,000 (equivalent to HK$175,000, HK$3,208,000 and HK$10,896,000) which will expire in 5 years from the year of origination which is ranged from 2017 to 2019 respectively.

20. Paid-up Capital

The below paid-up capital at 1 January 2012, 31 December 2012, 2013 and 2014 represents the fully paid-up and registered capital of Ba Qiao.

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	40,000	40,000	40,000
Transfer from share premium *(Note)*	–	–	40,000
At 31 December	40,000	40,000	80,000
	HK$'000	*HK$'000*	*HK$'000*
Shown in the financial statement as	47,280	47,280	94,560

	Number of shares		
	2012	**2013**	**2014**
At 1 January and 31 December *(Note)*	40,000,000	40,000,000	N/A

Note: Pursuant to the resolution approved by the shareholders of Ba Qiao at the special general meeting held on 31 March 2014 all the share premium of Ba Qiao was transferred to the share capital on the same date. Accordingly, the par value of each share increased from RMB1 to RMB2. On 27 November 2014, Ba Qiao was approved to change from a joint stock company to a registered company with limited liability.

21. Related Party Transactions

Apart from the amount due from a related company as disclosed in the statements of financial position and note 15, Ba Qiao entered into the followings transactions with related parties:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on the loan from related companies *(Note i)*	–	11,567	–
Interest income on amount due from a related company, Tang Rong	–	14,905	16,568
Gain on disposal of property, plant and equipment to related companies *(Note i)*	–	–	289

The interest expense on the loan from related companies was arisen from the unsecured borrowings advanced from related companies with aggregate principal amount of RMB130,000,000 (equivalent to HK$160,000,000) during the year ended 31 December 2013. The advance carried fixed interest rate at 15% per annum and repayable within 6 months after the date of withdrawal. The amounts were fully settled before 31 December 2013.

Apart from the transactions as listed in the table above, below is the summary of assets pledged and guarantee granted by related parties in relation to the secured bank borrowings at the end of each reporting period:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings secured by the joint personal guarantee provided by the key management of Ba Qiao and corporate guarantee offered by Tang Rong	112,193	89,759	–
Bank borrowings secured by the corporate guarantee offered by Tang Rong and 西安大明宮建材實業(集團)有限公司	111,441	173,010	–
Bank borrowings secured by the corporate guarantee offered by Tang Rong and 西安大明宮建材實業(集團)有限公司 and pledge of certain portion of investment properties owned by Tang Rong *(Note ii)*	–	–	38,111
Bank borrowings secured by the corporate guarantee offered by Tang Rong and pledge of certain portions of investment properties owned by Tang Rong *(Note ii)*	–	–	299,896
	223,634	262,769	338,007

Notes:

i. The ultimate controlling shareholder of these related companies is 席有良.

ii. At 31 December 2014, the carrying amount of the investment properties pledged is HK$251,456,000.

Compensation of key management personnel

The directors of Ba Qiao consider that the directors and certain management personnel of Ba Qiao are the key management of Ba Qiao. The remuneration of key management personnel of Ba Qiao during the Relevant Periods was as follows:

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other short-term payable benefits	1,248	1,678	1,172
Post-employment benefits	103	114	120
	1,351	1,792	1,292

The remuneration of the key management personnel of Ba Qiao is determined having regard to the performance of the individuals and market trend.

22. Major Non-cash Transaction

During the year ended 31 December 2012, Ba Qiao utilised approximately HK$22,836,000 of deposits paid for construction of properties, plant and equipment.

23. Contingent Liabilities

As at 31 December 2013 and 31 December 2014, the amount of corporate guarantee provided by Ba Qiao to a bank for loans advanced to three independent third parties who are tenants of Ba Qiao amounted to RMB1,343,000 (equivalent to HK$1,717,000) as at 31 December 2013 and RMB1,041,000 (equivalent to HK$1,299,000) as at 31 December 2014.

(B) EVENTS AFTER THE REPORTING PERIOD

On 1 December 2014, High Express International Limited ("High Express") entered into sales and purchases agreements with the shareholders of Ba Qiao whereby High Express agreed to acquire 73.375% equity in Ba Qiao from these shareholders of Ba Qiao at a cash consideration of RMB60,400,000. Based on the approval by the relevant government authorities, the acquisition was completed on 7 January 2015, upon which Ba Qiao becomes the subsidiary of High Express. Mr. Li Chi Yung becomes the ultimate controlling shareholder of Ba Qiao. Sino Virtue Holdings Limited and E-Innovation Limited become the ultimate holding company and intermediate holding company of Ba Qiao respectively.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Ba Qiao have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Set out below are the management discussion and analysis of the Group as extracted from the interim report of the Company for the six months ended 30 September 2014 and the annual reports of the Company for each of the three financial years ended 31 March 2014 (the "**Management Discussion and Analysis**"). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis. Furthermore, all pages/sections/appendices mentioned in the below text are referred to in those of the Management Discussion and Analysis.

(a) For the six months ended 30 September 2014

BUSINESS REVIEW

Driven by the national development priorities, and specifically the "Go West" regional development programme and subsequently reinforced by the "New Silk Road Economic Belt" economic development plan, Shaanxi Province of the People's Republic of China (the "**PRC**" or "**China**") due to its geographical location and economic progress, has firmly become the core of this long term development. Xi'an City, the capital city of Shaanxi Province has since attracted rising attention from large multinational conglomerates. In recent years, an increasing number of companies have been setting up their presence in Xi'an City, together they brought significant amount of business activities and investment to the city. This calls for various supports for the rapid business development, and amongst all, comprehensive logistics services. To capture such opportunities, Chinlink International Holdings Limited (the "**Company**" or "**Chinlink**") and its subsidiaries (collectively, the "**Group**") has long positioned itself as a "supply chain financial logistics" service provider and consistently been expanding the service scope.

For the six months ended 30 September 2014 (the "**Period**"), the finance and logistics businesses contributed promising results to the Group. In particular, financing guarantee services division was in good progress and became the Group's one of the major revenue contributors. In the Period, we continued to actively explore more expansion opportunities and commenced the construction preparation of the first phase of our mega logistics park project in Hanzhong City (the "**Park**").

For the Period, the Group's unaudited consolidated revenue surged by 167.3% year-on-year to HK$104.8 million as compared with HK$39.2 million for the corresponding period of last year. The increase was mainly contributed by the increase of financing guarantee fee income and interior decoration work. Gross profit increased by 134.3% year-on-year to HK$28.0 million, whilst gross profit margin decreased from 30.5% to 26.7%. This was mainly attributable to the decrease in gross profit margin of interior decoration work but partly compensated by the contribution of financing guarantee business. The Group recorded a loss attributable to shareholders of the Company of HK$38.8 million mainly due to the increased finance costs for 6.5% coupon bonds (the "**6.5% Coupon Bonds**") and 7.5% convertible bonds issued on 3 July 2013 and 30 August 2013, respectively and the increased administrative expenses.

Financing Guarantee Services

This business segment posted encouraging results shortly after its official commencement in Shaanxi Province in September 2013. For the Period, the segment contributed a revenue (including financing guarantee fee and consultancy fee) of HK$13.7 million, representing a substantial year-on-year growth of 793.6%, taking up 13.1% of the overall revenue (six months ended 30 September 2013: 3.9%). Gross profit for this segment surged by 753.9% year-on-year to HK$13.0 million during the Period, whilst the gross profit margin maintained stable at a high level of 94.6% (six months ended 30 September 2013: 99.0%).

To address the difficulties in getting financing that small and medium-sized enterprises (the "**SMEs**") in Shaanxi Province are facing, the Group introduced a unique solution named "inventory-as-collateral". Combining the Group's logistics operation and Chinlink Logistics Management Information System ("**Chinlink LMIS**"), the "inventory-as-collateral" operation enables clients to pledge their inventory in obtaining our financing guarantee services. This one-stop financing guarantee services differentiates the Group from its competitors who simply offer traditional financing services. This operation has proven successful, bringing in revenue for both our logistics and financing guarantee services in the Period.

During the Period, the financing guarantee service division was in co-operation with some domestic banks, namely Chang'an Bank, China Minsheng Bank and Shanghai Pudong Development Bank. And the Group's guarantee portfolio expanded rapidly reaching RMB320.3 million (equivalent to approximately HK$402.8 million).

Logistics Services

For the Period, revenue from the segment was HK$3.8 million (six months ended 30 September 2013: HK$3.5 million) with a gross profit margin of 69.7% (six months ended 30 September 2013: 83.0%). During the Period, the Group provided warehousing and inventory management services, logistics consultancy services and other value-added services in the three building materials trade and distribution centres (the "**Distribution Centres**") in Xi'an City.

Logistics Park Project in Hanzhong City

In June 2014, the Group was awarded the tender for the land plot located at Hantai District, Hanzhong City, Shaanxi Province, the PRC (the "**Land**") for the first phase of the Park, which covers approximately 327 mu in size. The recruitment of management for the Park was in progress at full speed during the Period.

Interior Decoration Work

Revenue for the Period increased by 213.7% year-on-year to HK$85.2 million (six months ended 30 September 2013: HK$27.2 million). The increase was mainly attributable to the substantial completion of certain major projects contracted in prior years in the Period. The segment's gross profit margin decreased significantly to 13.9% from 21.1% last year. The decline in gross profit margin was mainly due to the increase in cost of material and subcontracting fee. During the Period, the Group completed an aggregate of 8 projects as compared with 2 projects in the corresponding period of last year.

Trading of Furniture and Fixtures

Segment revenue decreased significantly by approximately 70.1% to HK$2.1 million (six months ended 30 September 2013: HK$7.0 million) for the Period, while gross profit margin dropped slightly to 23.4% from 25.2% in the corresponding period of last year. We believe this segment's performance would likely to remain weak as transaction volume at the luxury end of Hong Kong property market stays low, mainly due to the introduction of the Buyer's Stamp Duty and Special Stamp Duty policies.

FINANCIAL REVIEW

Capital and Debts Structure

As at 30 September 2014, the Group had net assets of HK$267.0 million (31 March 2014: HK$102.9 million) representing a substantial increase of HK$164.1 million as compared to that of 31 March 2014. The increase was mainly attributable to the completion of the following activities during the Period:

1. On 28 April 2014, the Company and Wealth Keeper International Limited ("**Wealth Keeper**") entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which Wealth Keeper agreed to subscribe for a total of 350 million new ordinary shares of the Company at the issue price of HK$0.55 per share. The completion of subscription took place on 26 June 2014 and the Company received the net proceeds after the related expense in connection with the subscription amounted to approximately HK$192.2 million which was used for the repayment of the 6.5% Coupon Bonds with the interest. The warrants with the same principal amount of the 6.5% Coupon Bonds previously granted was lapsed according to terms thereof. The closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the last trading date before entering into the Subscription Agreement which was 28 April 2014, was HK$0.53 per share.

2. On 29 July 2014, Chinlink Hong Kong Company Limited ("**Chinlink (HK)**"), a direct wholly-owned subsidiary of the Company, and Hong Kong Logistic Technology System Limited ("**LTS**") entered into a supplemental agreement (the "**Supplemental Agreement**") to an agreement (the "**Agreement**") dated 14 May 2013 for the development of Chinlink LMIS pursuant to which the contract sum of the Agreement was revised down from HK$13.2 million to HK$6.8 million (of which HK$4.0 million was paid by the Company in previous year by the issue of the 8,010,303 consideration shares in accordance with the Agreement) and that Chinlink (HK) would pay the remaining HK$2.8 million by procuring the Company by allotting and issuing 5,656,566 consideration shares at the issue price of HK$0.495 per share to LTS in recognition of the services rendered by LTS to the Group up to the date of the Supplemental Agreement. Accordingly, 5,656,566 consideration shares were issued on 4 August 2014 to LTS. The closing price of the Company's shares quoted on the Stock Exchange on the last trading date before entering into the Supplemental Agreement which was 29 July 2014, was HK$0.68 per share.

Save as disclosed above, there was no change in the share capital structure during the Period.

As at 30 September 2014, the total borrowing of the Group (including the bank overdraft, bank and other borrowings and obligations under finance leases) amounted to HK$158.8 million (31 March 2014: HK$58.5 million) of which approximately HK$158.6 million (31 March 2014: HK$58.1 million) was repayable within one year, representing an increase of HK$100.3 million. The increase was mainly due to the short term loan raised for the acquisition of the Land for the Park and was subsequently repaid by the net proceeds from the issuance of 8.0% coupon bonds (the "**8.0% Coupon Bonds**") in October 2014.

The Group's gearing ratio as at 30 September 2014 was 0.66 (31 March 2014: 0.85) which was calculated based on the Group's total liabilities of HK$508.6 million (31 March 2014: HK$604.7 million) and the Group's total assets of HK$775.6 million (31 March 2014: HK$707.6 million).

Working Capital

The current ratio decreased from 1.97 at 31 March 2014 to 1.11 at 30 September 2014 which was mainly due to the reclassification of 7.5% convertible bonds of HK$264.1 million from non-current liabilities to current liabilities as at 30 September 2014.

Contingent Liabilities and Charges

On 5 January 2006, Winmost Enterprises Limited (the "**Plaintiff**"), a competitor of the Group, lodged a claim against the Company and CLI Design (HK) Limited (formerly known as Decca (HK) Limited), a subsidiary of the Company, of approximately HK$3,000,000 for defamation by distribution and republication of defamatory words related to the Plaintiff. On 7 February 2012, the Plaintiff filed an amended claim against the Company and CLI Design (HK) Limited for damages for loss of profits related to the defamation of approximately HK$7,900,000. On 15 April 2013, after both parties attended a case-management conference before the Registrar of the High Court in chambers, whereby they were directed to file supplemental witness statements with the Court before setting down the case for trial, the Company and CLI Design (HK) Limited received a notice of trial ("**Notice**") and pre-trial review from the Court. After attended the pre-trial review as specified by the Notice on 3 October 2013, an interview of the witnesses of the Company and CLI Design (HK) Limited was held before the trial to review their evidence and prepare them to testify at the trial. After the substantive hearing taken place during 10 and 13 December 2013, the Court made an judgement on dismissing the claims from the Plaintiff. On 30 April 2014 and 5 May 2014, the Plaintiff filed a notice of appeal and a notice of setting down respectively to the Court of Appeal. On 5 September 2014, a consent for dismissal of appeal was filed upon which the Plaintiff appeal was formally dismissed. Accordingly, the directors of the Company are of the opinion that no provision is required to be made in the condensed consolidated financial statements.

As at 30 September 2014, excluding the financing guarantee contracts of approximately HK$2,955,000 (31 March 2014: HK$2,938,000), the net outstanding guarantee given to banks in respect of the financing guarantee services provided amounting to approximately HK$399,810,000 (31 March 2014: HK$372,977,000).

Save as disclosed above, the Group did not have any significant contingent liabilities.

As at 30 September 2014, the Group placed pledged bank deposit of HK$337.6 million to certain banks as securities in return for the banks to provide loans to the Group's financing guarantee services customers. Other than that, the Group pledged its assets to secure obligations under finance leases and banking facilities. Details of the assets pledged are set out in note 19 to the condensed consolidated financial statements.

Capital Commitments

As at 30 September 2014, the Group had capital commitments contracted but not provided for in respect of the development of the Park.

Foreign Currency Exposure

The Group's revenue and expenses are mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). The pledged bank deposit of HK$337.6 million is denominated in RMB and certain bank deposits are denominated in RMB or United States Dollars ("**US$**"). Other monetary assets and liabilities are mainly denominated in HK$ and RMB. During the Period, the exchange rate of RMB to HK$ was stable. Further as US$ is pegged to HK$, the Directors considered that the foreign currency risk of the Group is relatively limited.

Interim Dividend

The board (the "**Board**") of directors (the "**Directors**") of the Company do not recommend the payment of interim dividend for the Period (six months ended 30 September 2013: Nil).

EMPLOYEES

As at 30 September 2014, the Group employed 41 employees in Hong Kong and 41 employees in China (31 March 2014: 41 employees in Hong Kong and 18 employees in China). The employees are remunerated based on their performance and working experience, taking into account the prevailing market conditions. Discretionary performance bonus may be given to employees of outstanding performance depending on the financial performance of the Group. Other employee benefits include mandatory provident fund, medical and training programs.

EVENT AFTER THE REPORTING PERIOD

On 1 September 2014, the Company entered into a placing agreement (the "**Placing Agreement**") with a placing agent under best effort basis in relation to placement of 8.0% coupon bonds (the "**8.0% Coupon Bonds**") with principal amount of up to HK$300,000,000, details of which are set out in the announcement made by the Company on 1 September 2014. As at 30 September 2014, no 8.0% Coupon Bonds were taken place or issued.

On 15 October 2014 and 31 October 2014, the placing of the first batch of the 8.0% Coupon Bonds in an aggregate principal amount of HK$71,000,000 ("**First Batch Bonds**") and second batch of the 8.0% Coupon Bonds in an aggregate principal amount of HK$129,000,000 ("**Second Batch Bonds**") has taken place respectively and the Company has issued the First Batch Bonds and Second Batch Bonds in an aggregate principal amount of HK$71,000,000 and HK$129,000,000 to independent placees procured by the placing agent pursuant to the Placing Agreement, details of which are set out in the announcements of the Company dated 15 October 2014 and 31 October 2014, respectively.

PROSPECTS

As a supply chain financial logistics services provider, the Group dedicates its efforts to addressing the operation challenges along the supply chain, specifically in the goods flow, the information flow and the money flow. In order to provide comprehensive one-stop services, the Group is launching an integrated service platform building on the synergy generated by the expanding financial and logistics businesses. In the second half of 2014/2015, the Group aims to gain more market share by enriching the supply chain financial logistics service offerings.

In 2014, the PRC government continued to implement various policies with the aim of optimising the financing structure and improving the financial environment for SMEs. In July 2014, the State Council promulgated 10 new measures to ease enterprises' high financing cost, particularly for SMEs. Having identified such huge market potential in the improving operation environment, the Group is in preparation for obtaining other financial licenses in order to deliver more products that would fulfill clients' diverse capital needs. This would not only open up more markets with potential but would also broaden revenue streams for the Group. In addition, through partnering with other industry operators, the Group intends to tap into supply chain procurement financing. With such a comprehensive service scope in financing guarantee and logistics, we are well prepared to satisfy capital needs of the SMEs in particular arising from procurement and provide logistics services when needed along the whole supply chain.

On the logistics services, the introduction of Chinlink LMIS together with the increasing warehousing space of the Group enables the Group to continue improving and expanding its value-added services scope. This includes the streamlining and management of orders intake, vendor inventory, delivery and distribution, clients' outsourcing of their warehouse and transport operation.

Following the award of tender of the Land for the first phase of the Park, we expect that the new building materials trade centre and logistics support facilities to start operation and generating cash inflow and income including but not limiting to sale of properties, rental income, building management fee income by the second half of 2015/2016. We target to set up export supervised warehouse and bonded warehouse to facilitate import and export trade.

Other than the Park, the Group is talking to the Airport New City Administrative Committee in Xixian New Area, Shaanxi Province with a view to building a logistics park serving multinational electronic components manufacturers and distributors.

With our established strength in logistics services and the vast client base of over 8,000 tenants operating in the Distribution Centres, the Group further launched an e-commerce platform at the end of September 2014. This is in co-operation with 西安大明宮建材家居有限公司 (Xi'an Da Ming Gong Construction Material and Furniture Company Limited*) ("**Da Ming Gong**"), to sell packaged interior decoration work and furniture products at special price through Chinlink's e-commerce platform, whilst display products take place at Da Ming Gong's distribution centre (O2O model) on fitted-out prototype resident units. These 8,000 tenants form the network of

suppliers in this e-commerce platform as well as being clients of our logistics services. This new business provides our clients an additional sales channel that facilitates their goods turnaround in addition to our logistics services. We believe this would contribute and broaden the Group's revenue stream. We shall continue to seek for suitable venue to further expand the O2O business to furnitures, home furnishings and accessories, etc.

As a pioneer in supply chain financial logistics in Shaanxi Province, the Group aims to further enhance the integrated services platform. We anticipate more synergy to be created through our new business mix, i.e. financial logistics and e-commerce businesses and in turn generating more revenue in the coming financial year.

Despite the fact that interior decoration work was fairly well during the Period, driving up both the revenue and gross profit of the Group, we do not expect the contribution from this segment in the second half of 2014/2015 can be sustained.

The performance of trading of furniture and fixtures during the Period was again discouraging. We shall continue to explore various options including but not limited to streamlining the operation and seeking for new buyers, etc to minimise the loss.

(b) For the year ended 31 March 2014

BUSINESS REVIEW

In 2013, China's economic growth continued to slow down as the Government of the PRC adjusted its macroeconomic approach to grow, from quantity to quality. China's GDP growth hit 7.7%, which is the lowest in the past 14 years. This led to Chinese consumers to be more cautious in their spending and shifted their purchase pattern in both Hong Kong and Macau from luxury to more necessities. Retail sales, especially that of luxury goods, declined noticeably to the extent that they stalled the expansion of retail shops and hotels in the region. In light of such toughened operating environment faced by the interior decoration work and trading of furniture and fixtures, the Group allocated more resources on the Group's emerging and fast growing financing guarantee and logistics services businesses in Shaanxi Province. Business activities and investment in Shaanxi Province was thriving in response to one of the national development priorities, the "Go West" under China's Twelfth Five-Year Plan. The Group already started laying out a new business network in the region since early 2012. After two years' efforts, these two new businesses have begun to contribute satisfactory revenue and margin to the Group during the Year. This paved a strong start of our new growth path in the years ahead.

Revenue for the Year decreased by 6.0% to HK$151.7 million (2013: HK$161.4 million). The decrease in revenue was mainly due to the decline in furniture and fixtures trading. The interior decoration work, furniture and fixtures trading, financing guarantee, and logistics services accounted for 73.8%, 12.0%, 9.4% and 4.8%, respectively of the total revenue (2013: 68.5%, 31.5%, 0% and 0%). Gross profit for the Year increased by 57.1% to HK$41.0 million (2013: HK$26.1 million) whereas gross profit margin improved from 16.2% to 27.0%. The substantial

growth in gross profit margin was mainly attributable to the solid contribution made by the two new high-margin businesses, namely the financing guarantee services and the logistics services. To fund the development of these two new businesses, there was a significant increase of HK$57.2 million in finance costs mainly arising from the issue of 6.5% coupon bonds ("**6.5% Bonds**") with detachable warrants and 7.5% convertible bonds with aggregate principal amount of HK$300.0 million ("**7.5% CB**") during the Year. Coupled with the equity-settled share-based payments of HK$15.4 million, the Group recorded a loss attributable to owners of the Company of HK$90.3 million for the Year (2013: Loss of HK$22.4 million).

Interior Decoration Work

Revenue for the segment increased slightly by 1.3% to HK$111.9 million of the Year from HK$110.5 million of the last year. The segment's gross margin also improved slightly to 17.3% from 14.9% as there were lesser low margin sourcing services provided during the Year. During the Year, the Group completed a total of 71 projects in Hong Kong and Macau, as compared with 69 projects in last year.

Trading of Furniture and Fixtures

Revenue from the segment decreased by 64.2% to HK$18.2 million for the Year with a stable gross profit margin of 20.0% (2013: 18.8%). During the Year, this segment shrivelled seriously owing to the low volume transactions in the property market in Hong Kong especially in the luxury sector, since the launch of the double stamp duty policy.

Financing Guarantee Services

For the Year, the financing guarantee services registered revenue (including financing guarantee fee and consultancy fee) of HK$14.3 million, with a very high gross margin of over 90%. This was encouraging as the business officially commenced in September 2013 shortly after obtaining an official license from the financial affairs office of Shaanxi Province to provide financing guarantee services in Shaanxi Province in August 2013. The Group is not limited to offer various traditional financing solutions, such as bank borrowing guarantee, trade financing guarantee and financing consulting services etc. With the co-operation of logistics operations and equipped with Chinlink LMIS, a unique one-stop operation to resolve the financing difficulties for small-medium size enterprises, named as "inventory-as-collateral" operation which the clients pledged their inventory for financing guarantee services was successful launched. This "inventory-as-collateral" operation generates revenue for both our logistics and financing guarantee segments. The financing guarantee services were in co-operation with some domestic banks, namely Chang'an Bank, China Minsheng Bank and Shanghai Pudong Development Bank etc. As at 31 March 2014, the Group had a guarantee portfolio of RMB300.7 million (equivalent to approximately HK$375.9 million).

Logistics Services

Revenue from the segment was HK$7.3 million with a gross profit margin of 63.2% for the Year. During the Year, the Group extended its business to the provision of warehousing and inventory management services, logistics consultancy services and other value-added services in Xi'an City.

Changes in the Board

Along with the Group's business repositioning as an integrated finance and logistics services provider, the board (the "**Board**") of directors (the "**Directors**") has also been strengthened during the Year with the following two major changes: (1) the Group re-designated Mr. Lau Chi Kit ("**Mr. Lau**") from independent non-executive Director to an executive Director in September 2013. Mr. Lau has more than 35-year experience in banking and finance industry and can further enhance the Group's capabilities in financing and risk management; and (2) the Group appointed Dr. Ho Chung Tai, Raymond ("**Dr. Ho**") as an independent non-executive Director in December 2013. Dr. Ho has solid experience in listed companies and public positions and would certainly enhance the Group's corporate governance.

FINANCIAL REVIEW

Capital and Debts Structure

As at 31 March 2014, the Group had net assets of HK$102.9 million (31 March 2013: HK$39.9 million) representing a substantial increase of HK$63.0 million as compared to that of 31 March 2013. The increase was mainly attributable to the completion of the following fund raising activities during the Year:

1. On 10 June 2013 and 17 June 2013, the Company entered into a placing and underwriting agreement as well as a supplemental placing agreement, respectively, with a placing agent for subscribing in cash for the 6.5% Bonds with aggregate principal amount of HK$190.5 million. For no additional payment, warrants with the same principal amount of the 6.5% Bonds were issued to the first registered holders of the 6.5% Bonds and are exercisable at any time within twelve months commencing from the issue date of 3 July 2013 at an initial subscription price of HK$0.65 per warrant share. Both principal and interest are repayable on the date immediately following twelve months after 3 July 2013. Together with the warrants, the 6.5% Bonds were issued to not less than six placees who and whose ultimate beneficial owners are independent third parties and the Company received the net proceeds after expenses amounted to approximately HK$180.6 million which were used as the funding for establishment of 陝西普匯中金融資擔保有限公司 (Shaanxi Chinlink Financial Guarantee Limited*) ("**Chinlink Finance**"), an indirect wholly-owned subsidiary of the Company in the PRC which is engaged in provision of financing guarantee services in Shaanxi Province.

As at 31 March 2014, the Company had outstanding 6.5% Bonds valued at HK$191.3 million (31 March 2013: Nil) which was classified as current liabilities.

2. On 10 June 2013, the Company entered into a placing agreement with the same placing agent for subscribing in cash for the 7.5% CB, which are due two years from the issue date of 30 August 2013, convertible into shares at the initial conversion price of HK$0.75 per conversion share. The 7.5% CB were issued to not less than six placees who and whose ultimate beneficial owners are independent third parties. The Company received the net proceeds after expenses amounted to approximately HK$281.7 million which were used as: (1) approximately HK$127.0 million was set aside and deposited into banks for the Group's financing guarantee business; (2) approximately HK$63.0 million is set aside and is ready to be utilised for the development of the Park; (3) approximately HK$42.0 million was utilised for the repayment of short-term borrowings used for the establishment of Chinlink Finance; and (4) HK$50.0 million was used as general working capital.

   As at 31 March 2014, the Company had outstanding 7.5% CB valued at HK$257.3 million (31 March 2013: Nil) which was classified as non-current liabilities.

   The closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the last trading date before the date the placing agreements for 6.5% Bonds and 7.5% CB were entered into, which was 7 June 2013, was HK$0.53 per share.

3. On 10 March 2014, the Company entered into a warrant placing agreement with a placing agent for subscribing in cash for 35 million non-listed warrants at the exercise price of HK$2.0 per warrant share to four placees, namely (1) Pacific Alliance Asia Opportunity Fund LP; (2) Asian Equity Special Opportunities Portfolio Master Fund Limited; (3) Asian Opportunities Absolute Return Fund Limited; and (4) Ardon Maroon Asia Master Fund, at the placing price of HK$0.02 per warrant. The subscription right attaching to the warrants may be exercised at any time during a period commencing from the date falling on the 180th day from the issue date of the warrants and ending on the second anniversary of the issue date of the warrants. The placing was completed on 19 March 2014. The gross proceeds and the net proceeds after expenses in connection with placing amounted to approximately HK$0.7 million and approximately HK$0.4 million, respectively. The closing price of the Company's shares quoted on the Stock Exchange on the trading date of entering into the warrant placing agreement, which was 10 March 2014, was HK$0.7 per share. The net proceeds of approximately HK$0.4 million was yet to be utilised as at 31 March 2014.

In addition to the above fund raising activities, pursuant to an agreement entered into between Chinlink Hong Kong Company Limited, a direct wholly-owned subsidiary of the Company, and Hong Kong Logistics Technology & System Limited ("**LTS**") (the "**Agreement**") dated 14 May 2013, the Company has to satisfy the contract sum of the Agreement of HK$13,217,000 by allotting and issuing, credited as fully paid, an aggregate of 26.7 million new ordinary shares of the Company to LTS in three tranches at the issue price of HK$0.495 per share. Up to 31 March 2014, the Company has allotted and issued first tranche of the Company's new ordinary shares totalling approximately 8.0 million shares to LTS.

During the Year, an aggregate principal amount of HK$96.0 million of convertible bonds ("**3.0% CB**") issued on 23 August 2012 was fully converted to 320.0 million shares of the Company at the conversion price of HK$0.3 per conversion share. These conversion shares rank pari passu in all aspects with other shares in issue. Upon conversion, the carrying amounts of the 3.0% CB of HK$69.5 million were derecognised and together with the relevant convertible bonds reserve of HK$29.7 million was reclassified to share capital and share premium of the Company.

As at 31 March 2014, the total borrowings of the Group (including the bank overdraft, bank and other borrowings and obligations under finance leases) amounted to HK$58.5 million (31 March 2013: HK$9.5 million) of which approximately HK$58.1 million (31 March 2013: HK$8.9 million) repayable within one year, representing an increase of HK$49.0 million. The increase was mainly due to a short term loan financed by a financial institute of HK$45.0 million and the utilisation of bank overdraft facilities of approximately HK$4.9 million and was partially netted off by repayment of loan during the Year. 21.9% of the Group's borrowings as at 31 March 2014 are at floating interest rate (31 March 2013: 90.5%). All the borrowings were denominated in Hong Kong dollars ("**HK$**"). Hence, the foreign currency risk exposure was minimal.

The Group's gearing ratio as at 31 March 2014 was 0.85 (31 March 2013: 0.78) which was calculated based on the Group's total liabilities of HK$604.7 million (31 March 2013: HK$145.4 million) and the Group's total assets of HK$707.6 million (31 March 2013: HK$185.3 million).

Working Capital

The current ratio decreased from 2.34 at 31 March 2013 to 1.97 at 31 March 2014 which was mainly due to the significant increase in deferred revenue, bank and other borrowings and the liabilities portion of the 6.5% Bonds.

Contingent Liabilities and Charges

On 5 January 2006, Winmost Enterprises Limited (the "**Plaintiff**"), a competitor of the Group, lodged a claim against the Company and CLI Design (HK) Limited (formerly known as Decca (HK) Limited), a subsidiary of the Company, of approximately HK$3,000,000 for defamation by distribution and republication of defamatory words related to the Plaintiff. On 7 February 2012, the Plaintiff filed an amended claim against the Company and CLI Design (HK) Limited for damages for loss of profits related to the defamation of approximately HK$7,900,000. On 15 April 2013, after both parties attended a case-management conference before the Registrar of the High Court in chambers, whereby they were directed to file supplemental witness statements with the Court before setting down the case for trial, the Company and CLI Design (HK) Limited received a notice of trial ("**Notice**") and pre-trial review from the Court. After attended the pre-trial review as specified by the Notice on 3 October 2013, an interview of the witnesses of the Company and CLI Design (HK) Limited was held before the trial to review their evidence and prepare them to testify at the trial. After the substantive hearing taken place during 10 and 13 December 2013, the Court made an judgement subsequent to the end of the reporting period on dismissing the claims from the Plaintiff. On 30 April 2014 and 5 May 2014, the Plaintiff filed a notice of appeal and a notice of setting down respectively to the Court of Appeal. Based on the advice from the independent legal advisors, since the Court has yet given directions to make the arrangement of appeal, a respondent's Notice is not yet filed to the Court. Accordingly, the directors of the Company are of the opinion that the outcome is unable to be determined at this stage and no provision is required to be made in the consolidated financial statements.

As at 31 March 2014, excluding the financing guarantee contracts of approximately HK$2,938,000, the net outstanding guarantee given to banks in respect of financing guarantee services provided amounting to approximately HK$372,977,000.

Save as disclosed above, the Group did not have any significant contingent liabilities.

As at 31 March 2014, the Group placed pledged bank deposit of HK$340.2 million to certain banks as securities in return for the banks to provide loans to the Group's financing guarantee services customers. Other than that, the Group pledged its assets with carrying values of HK$0.8 million and HK$17.5 million to secure obligations under finance leases and banking facilities, respectively.

Capital Commitments

As at 31 March 2014, the Group had capital commitments contracted but not provided for in respect of development of Chinlink LMIS. Pursuant to an agreement entered into between Chinlink Hong Kong Company Limited, a direct wholly-owned subsidiary of the Company, and LTS dated 14 May 2013, LTS is engaged in the development of Chinlink LMIS for the Group's logistics projects in Xi'an City and Hanzhong City, Shaanxi Province, the PRC. The contract sum of the agreement is HK$13,217,000 (the "**Contract Sum**") which will be satisfied by the Company by allotting and issuing, credited as fully paid, an aggregate of 26,701,010 ordinary shares, at issue price of HK$0.495 in three tranches to LTS. During the year ended 31 March 2014, 8,010,303 ordinary shares representing 30% of the total Contract Sum have been issued. The Company will issue the remaining 18,690,707 ordinary shares once the progress requirements as specified in the contract are fulfilled. Details of the agreement are set out in the announcement made by the Company dated 14 May 2013.

Foreign Currency Exposure

The Group's revenue and expenses are mainly denominated in HK$ and Renminbi ("**RMB**"). The pledged bank deposit of HK$340.2 million is denominated in RMB and certain bank deposits are denominated in RMB or United States Dollars ("**US$**"). Other monetary assets and liabilities are mainly denominated in HK$ or RMB. During the Year, the exchange rate of RMB to HK$ increased slightly. Further, as US$ is pegged to HK$, the Directors considered that the foreign currency risk of the Group is relatively limited.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2014 (2013: Nil).

EMPLOYEES

As at 31 March 2014, the Group employed 41 and 18 employees in Hong Kong and China, respectively (31 March 2013: 40 employees in Hong Kong and 5 employees in China). The employees are remunerated based on their performance and working experience, taking into account the prevailing market conditions. Discretionary performance bonus may be given to employees of outstanding performance depending on the financial performance of the Group. Also, certain employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other employee benefits include mandatory provident fund, medical and training programs.

EVENT AFTER THE REPORTING PERIOD

On 28 April 2014, the Company and Wealth Keeper entered into the subscription agreement pursuant to which Wealth Keeper has agreed to subscribe for a total of 350,000,000 new subscription shares at the price of HK$0.55 per subscription share. The Company intends to use the net proceeds raised, in the sum of approximately HK$192.2 million from the subscription for the repayment of the 6.5% Bonds.

On 5 June 2014, 普匯中金國際交易中心(漢中)有限公司 (Chinlink International Trade Centre (Hanzhong) Company Limited*), a company to be incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, signed the confirmation letters with the Hanzhong Land Bureau (漢中市國土資源局) as a result of having succeeded in a bid at the tender for four parcels of adjoining land (the "**Land**") which is located at Hantai District, Hanzhong City, Shaanxi Province, the PRC and is about to be developed as a construction material wholesale and logistics centre with features such as product market places, warehouses and other supporting facilities with a total site area of approximately 326.82 mou (217,881 sq.m.). The land use rights of the Land are 40 years and 70 years for commercial usage and residential usage respectively commencing from the date on which the land use rights certificate is issued. The aggregate cash consideration of the Land is RMB98,046,000 (equivalent to approximately HK$123,537,960). The land use rights transfer contracts in relation to the land acquisition were entered into on 19 June 2014.

PROSPECTS

During the Year, we recorded incomes from both logistics and financing guarantee services, implying that our new business model of "financial logistics" has been successfully rolled out. With the further penetration of our customer base in the three building materials trade and distribution centres in Xi'an City, we will definitely secure larger income and profitability. This would be achieved by getting more warehousing spaces through new building and acquisition; improving and expanding our value-added services scope like order management, vendor inventory management, delivery and distribution management etc., with the assistance of Chinlink LMIS; and clients' out-sourcing of their warehousing and transport operations.

Apart from the logistics and financing guarantee services, we intend to launch our new e-commerce platform before end of 2014. This would be an O2O (online-to-offline) model by working together with 西安大明宮建材家居有限公司 (Xi'an Da Ming Gong Construction Material and Furniture Company Limited*) to promote the selling of packaged interior and household products at special price through online transactions and offline show flat displays installed in the distribution centre. This will be the Group's first move towards e-commerce by combining our strength in information technology and logistics, and our strategic relationships with the building materials distribution and trade centres, which have aggregated over 8,000 suppliers.

Other than building materials, we are also exploring opportunity to set up new trade and logistics centres for electronics components and food chain. We are now in an early stage negotiation with the Commission of Airport New City in Xixian New Area, Shaanxi Province to build a logistics park within the bonded area for multinational electronic components manufacturers and distributors. Again through partnership with other two large cold chain logistics operators in Tianjin and Xi'an City, we will diversify into supply chain procurement financing for the import of frozen meat to China. We plan to commence this operation by fourth quarter of 2014 and will be an extension of our "financial logistics" business model.

The Park encountered some delay in acquisition of the land (the "**Land**") which is located at Hantai District, Hanzhong City, Shaanxi Province, the PRC. In early June, the Group successfully acquired the land use rights of the Land as the first phase of the Park. It is believed the development of the Park will revert to normal pace and hopefully the new building materials trade centre and logistics support facilities will be operative and start generating income before the coming financial year end.

As we are making considerable progress in the area of logistics and financing services, our traditional interior decoration business and trading of furniture and fixtures business keep on loosing momentum, hampered by the slowing market for luxury consumption. In particular, the trading of furniture and fixtures segment recorded a significant decrease in revenue and recorded losses for the Year. We are contemplating to divest some of the operations but nothing is concreted by the time of this annual report.

(c) For the year ended 31 March 2013

BUSINESS REVIEW

In the Year, economy growth of the China slowed in tandem with the sluggish global economy. The gross domestic product ("**GDP**") of China decelerated for seven consecutive quarters until September 2012, causing Chinese consumers to be more cautious in their spending. The ripple effect has inevitably affected the retail and luxury markets in Hong Kong and Macau, discouraging tourist spending and slowing down the expansion of retail shops and hotels in the region. This led to the decrease in the income from the Group's interior decoration business, as well as furniture and fixtures trading for high-end retail shops, hotels and residential apartments in Hong Kong and Macau. Moreover, the surge in RMB appreciation and the rising costs of raw materials and labour also curbed the Group's gross profit margin of the two businesses. During the Year, the Group started its diversification to the logistics consulting services in Xi'an City, Shaanxi Province. The new business was in an early development stage and hence the contribution to the Group was minor during the Year. With the new financing guarantee business and other logistics consulting service to commence in the second half of 2013, the Group expects a greater contribution from the new integrated finance and logistics business in the next financial year.

Revenue for the Year decreased by 6.8% to HK$161.4 million (2012: HK$173.2 million); whereas the interior decoration business and furniture and fixtures trading accounted for 68.5% and 31.5% respectively (2012: 69.9% and 30.1% respectively). Gross profit decreased by 51.8% to HK$26.1 million (2012: HK$54.1 million) and gross profit margin dropped from 31.3% to 16.1%. During the Year, there was a significant increase in finance costs and consultancy fees to support the Group's new business development. These resulted in a loss attributable to owners of the Company of HK$22.4 million for the Year.

Interior Decoration Work

For the year ended 31 March 2013, the Group completed a total of 69 projects as compared with 90 projects in the last year. Revenue for the segment decreased by 8.8% to HK$110.5 million whilst the segment's gross profit margin decreased to 14.9% of the Year from 22.6% of the last year. This was mainly due to a large portion of low margin sourcing furniture service incurred in the segment sales.

Trading of Furniture and Fixtures

Revenue from the segment decreased by 2.3% to HK$50.9 million during the Year and gross profit margin declined from 51.5% of the last year to 18.8% of the Year. The significant decrease in gross profit margin was mainly attributable to the continuous appreciation of RMB that lifted the raw material costs and subcontracting costs.

Integrated Finance and Logistics Service

During the Year, the Group has made great efforts to lay a strong foundation for its new integrated finance and logistics business in China through: (1) cooperating with three major building materials distribution centres in Xi'an City to secure a solid client base of over 8,000 tenants, mostly the SMEs and the Group's logistics management and consulting services, e-commerce platform, financing solutions will be progressively available to the tenants; (2) developing the Park, with features such as product marketplace, warehouses, other logistics supporting facilities. The Park will also be supported by a well-established IT platform, an advanced warehouse and transportation management system and other value-added services. During the Year, the Group has paid totally RMB25.0 million to the local government of Hantai District, Hanzhong City as refundable deposit to expedite the expropriation and auction of land for the first phase of the Park; (3) signing a memorandum of understanding with the financial affairs office of Hanzhong City to establish a wholly-foreign-owned enterprise (the "**WFOE**") to engage in financing guarantee services to SMEs in Hanzhong City as the Group intended to address the shortage of financing channels for SMEs in the market by offering SMEs with loan guarantees against the pledge of their inventories, thus facilitating SMEs to obtain bank loans. The initial target market of this "inventory-as-collateral" financing guarantee services will be the 8,000 tenants of the three building materials distribution centres in Xi'an City.

FINANCIAL REVIEW

Capital and Debts Structure

On 19 April 2012, the Board proposed each of the issued and unissued shares of HK$0.10 each in the share capital of the Company be subdivided into 8 subdivided shares of HK$0.0125 each (the "**Share Subdivision**"). The Share Subdivision was approved by the shareholders of the Company at the special general meeting held on 9 May 2012. Accordingly, the authorised share capital of the Company comprising HK$40,000,000 divided into 400,000,000 ordinary shares of HK$0.10 each, of which 200,000,000 ordinary shares were in issue and fully paid, were subdivided into 3,200,000,000 ordinary shares of HK$0.0125 each, of which 1,600,000,000 ordinary shares of HK$0.0125 were in issue and fully paid. Details of which are set out in the Company's announcements dated 19 April 2012 and 9 May 2012, respectively, and the Company's circular dated 23 April 2012.

Subsequent to the Share Subdivision becoming effective on 10 May 2012, the board lot size for trading in the shares of the Company has also been changed from 2,000 shares per board lots to 10,000 shares per board lots.

Save as disclosed above, there was no change in the share capital structure of the Company during the Year.

As at 31 March 2013, the Group had net assets of HK$39.9 million (2012: HK$36.3 million) representing an increase of HK$3.6 million as compared to 2012. The increase was mainly attributable to the placing of convertible bonds (the "**Convertible Bonds**") amounted to HK$96.0 million but partly net off by the loss of the Group incurred during the Year.

The Company entered into a placing agreement and a supplemental placing agreement with the placing agent with respect for subscribing in cash for the Convertible Bonds which are due 3 years from the date of issue of the Convertible Bonds convertible into shares at the initial conversion price of HK$0.30 per conversion share (the "**Placing**") on 30 July 2012 and 31 July 2012, respectively. The completion of the Placing took place on 23 August 2012 and the Company received the net proceeds after expenses in connection with the Placing amounted to approximately HK$93.4 million.

As at 31 March 2013, the Company had outstanding Convertible Bonds valued at HK$69.5 million (2012: Nil) which was classified as non-current liabilities.

As at 31 March 2013, the total borrowing of the Group (excluding the Convertible Bonds) amounted to HK$9.5 million (2012: HK$6.1 million) of which approximately HK$8.9 million (2012: HK$5.2 million) was repayable within one year, representing an increase of HK$3.4 million. The increase was mainly due to the new bank borrowing utilized for the property being acquired during the Year. 90.5% of the Group's borrowings as at 31 March 2013 are at floating interest rate (2012: Nil).

The gearing ratio (total borrowings divided by net assets) increased from 0.17 at 31 March 2012 to 0.24 at 31 March 2013. The increase was mainly due to the increase in bank borrowing for the property acquired during the Year.

Working Capital

The current ratio increased from 1.48 at 31 March 2012 to 2.34 at 31 March 2013 which was mainly due to the deposit paid for prepaid lease payments for land and the short-term investment on unlisted bonds amounted to HK$31.2 million and HK$18.6 million, respectively.

Contingent Liabilities and Charges

On 5 January 2006, Winmost Enterprises Limited (the "**Plaintiff**"), a competitor of the Group, lodged a claim against the Company and CLI Design (HK) Limited (formerly known as Decca (HK) Limited), a subsidiary of the Company, of approximately HK3,000,000 for defamation by distribution and republication of defamatory words related to the Plaintiff. On 7 February 2012, the Plaintiff filed and amended claim against the Company and CLI Design (HK) Limited for damages for loss of profits related to the defamation of approximately HK$7,900,000. On 15 April 2013, after both parties attended a case-management conference before the Registrar of the High Court in chambers, whereby they were directed to file supplemental witness statements with the Court before setting down the case for trial, the Company and CLI Design (HK) Limited received a notice of trial ("**Notice**") and pre-trial review from the Court. According to the Notice issued by the Court, the hearing of the pre-trial review will take place on 17 September 2013 and the substantive trial is scheduled to take place from 10 to 13 December 2013. Based on the advice from the independent legal advisors, the outcome is unable to be determined at this stage. Accordingly, the directors are of the opinion that no provision is required to be made in the consolidated financial statements.

Save as disclosed above, the Group did not have any significant contingent liabilities.

As at 31 March 2013, the Group pledged its assets with carrying values of HK$1.0 million and HK$18.1 million to secure obligations under finance leases and banking facilities, respectively.

As at 31 March 2012, the Group pledged its assets with carrying values of HK$1.3 million to secure obligations under finance leases.

Foreign Currency Exposure

The Group's revenue and expenses are mainly denominated in Hong Kong dollars. The monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollars and RMB. During the Year, the exchange rate of RMB to Hong Kong Dollars increased steadily. Accordingly, the directors of the Company (the "**Directors**") consider that the potential foreign currency risk of the Group is relatively limited.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2013 (2012: Nil).

EMPLOYEES

As at 31 March 2013, the Group employed 40 and 5 employees in Hong Kong and China, respectively (2012: 36 employees in Hong Kong). The employees are remunerated based on their performance and working experience, taking into account the prevailing market conditions. Discretionary performance bonus may be given to employees of outstanding performance depending on the financial performance of the Group. Other employee benefits include mandatory provident fund, medical and training programs.

EVENTS AFTER THE REPORTING PERIOD

On 24 April 2013, the Company granted share options (the "**Share Options**") to the directors, certain employees of the Group and consultants (collectively, the "**Grantees**") pursuant to the Company's share option scheme (the "**Scheme**") adopted on 21 September 2012, subject to acceptance by the Grantees. The Share Options entitle the Grantees to subscribe for a total of 93,100,000 new shares at an exercise price of HK$0.58 per share with nominal value of HK$0.0125 each in the capital of the Company upon the exercise of the Share Options in full. Share Options granted are exercisable from 24 April 2014 to 23 April 2023. These 93,100,000 Share Options are vested in five tranches with (i) 20% shall become exercisable from 24 April 2014 to 23 April 2023; (ii) 20% shall become exercisable from 24 April 2015 to 23 April 2023; (iii) 20% shall become exercisable from 24 April 2016 to 23 April 2023; (iv) 20% shall become exercisable from 24 April 2017 to 23 April 2023; and (v) 20% shall become exercisable from 24 April 2018 to 23 April 2023. As at the date of this report, the directors are in the process of estimating the fair value of the Share Options granted. Details of which are set out in the announcement made by the Company dated 24 April 2013.

On 14 May 2013, Chinlink Hong Kong Company Limited ("**Chinlink (HK)**"), a direct wholly-owned subsidiary of the Company and Hong Kong Logistics Technology & Systems Limited ("**LTS**") entered into an agreement ("**Agreement**") for the development of a logistics information systems platform for the Group and to provide services to the Group in respect of the logistics information system platform. The contract sum of the Agreement is HK$13,217,000 which shall be satisfied by Chinlink (HK) by procuring the Company by allotting and issuing, credited as fully paid, an aggregate of 26,701,010 new ordinary shares of the Company to LTS in three tranches at the issue price of HK$0.495 per share. On 24 May 2013, the Company has allotted and issued first tranche of the Company's new ordinary shares totalled 8,010,303 to LTS. As at the date of this report, the directors are in the process of estimating the fair value of the shares issued. Details of which are set out in the announcement made by the Company dated 14 May 2013.

On 10 June 2013 and 17 June 2013, the Company entered into a placing and underwriting agreement as well as a supplemental agreement, respectively, with a placing agent in relation to placement of bonds with principal amount of HK$190,450,000. For no additional payment, warrants with the same amount as the principal amount of bonds will be issued to the first register holders of the bonds. On the same day, the Company entered into a best effort placing agreement with the abovementioned placing agent in relation to the placement of convertible bonds with maximum aggregate principal amount of HK$300,000,000. Completion of the above placing activities is subject to the conditions set out in the corresponding agreements. As of the date of this report, both placing agreements have not yet completed. Details of which are set out in the announcements made by the Company dated 10 June 2013 and 17 June 2013.

On 17 June 2013 and 25 June 2013, aggregate principal amount of HK$30,000,000 and HK$35,400,000 of the convertible bonds issued on 23 August 2012 (referred to as "**2012 CBs 1**" and "**2012 CBs 2**", respectively) was converted to 100,000,000 shares and 118,000,000 shares of the Company at the conversion price of HK$0.3 per conversion share, respectively. These shares rank *pari passu* in all aspects with other shares in issue. Upon conversion, the carrying amounts of 2012 CBs 1 and 2012 CBs 2 amounting to approximately HK$22,569,000 and HK$26,736,000 are derecognised. Share capital and share premium are increased by approximately HK$1,250,000 and HK$21,319,000 related to 2012 CBs 1 and HK$1,475,000 and HK$25,261,000 related to 2012 CBs 2, respectively. The relevant equity component of approximately HK$7,938,000 and HK$9,367,000 is reclassified to share premium, respectively.

PROSPECTS

Looking ahead, as macroeconomic uncertainties continue to prevail in 2013, the Group believes that the operating environment for interior decoration work and trading of furniture and fixtures in Hong Kong and Macau will remain tough in the next financial year. Hence the management believes that the new finance and logistics service segment in Shaanxi Province will become the Group's key growth driver in the coming years.

In China's Twelfth Five-Year Plan, "Go West" is a priority among all regional-specific development plans. It is expected that the government support for western development will be further strengthened with favourable policies and the sources of economic growth will tilt increasingly towards the western regions. As the gateway to the western China, Shaanxi Province has been enjoying high economic growth. From 2007 to 2011, Shaanxi GDP growth stayed at 14.4% on average, higher than the national GDP growth, and the output of Shaanxi wholesale and retail trades sector grew at compound annual growth rate 27.4% from 2007 to 2011 reaching RMB1,036 million in 2011. This fast development will definitely drive the demand for better logistics and financing solutions. Therefore, the Group strategically picked Shaanxi Province as a base camp to establish its pioneering finance and logistics services under the concept of modern logistics is well-justified.

In May 2013, the Group has made further progress on the finance and logistics services business in that Hong Kong Logistics Technology & Systems Limited ("**LTS**") became the strategic shareholder of the Group. LTS will develop a logistics IT system platform (the "**Logistics IT Platform**") for the distribution centres and logistics parks operated by the Group in the cities of Xi'an and Hanzhong. The Logistics IT Platform will help centralize the data of transactions, warehousing, transportation, distribution, and other logistics information of the tenants for efficient and modern management of distribution centres and logistics parks, thus allowing the Group to offer tailor-made and value-added services to the tenants. This platform will also serve as a risk management tool for its financing guarantee business to keep track on the tenants' business activities and inventory collaterals to minimize credit risks. Further, in June 2013, the Group was granted an official approval from financial affairs office of Shaanxi Province to establish a WFOE with registered capital and total investment of US$30 million and US$90 million respectively, to engage in financing guarantee services in Shaanxi Province. The WFOE will soon be established when all necessary application procedures are completed.

Having the Logistics IT Platform and the WFOE with official financing guarantee enterprise operation license ready in the second half of 2013, the Group will soon begin the integrated finance and logistics services for the 8,000 tenants of the building materials distribution centres in Xi'an City. For the Park in Hangzhong City, the acquisition of the land for the first phase of the Park is expected to be completed in the second half of 2013. It is expected that stable and recurring cash flow from rental and logistics services from tenants and income from property sales will be used to fuel the Group's continuous development of the Park. The Group is now well-prepared to pursue the vision of being an integrated finance and logistics services provider in China. Management will rigorously assess the challenges and opportunities that may arise in the new business venture, and continue to refine the new business model in order to build a sustainable business and long term value for the shareholders of the Company.

(d) For the year ended 31 March 2012

BUSINESS REVIEW

Continuing Operations

The Group is engaged in interior decoration work and trading of furniture and fixtures for high end residential properties, hotels, offices and luxury brand stores in Hong Kong and Macau. In terms of revenue, interior decoration work and trading of furniture and fixtures accounted for 69.9% and 30.1% of the Group's Continuing Operations for the year ended 31 March 2012 (the "**Financial Year**"), respectively, as compared with 43.1% and 56.9% in the previous financial year.

Interior decoration work

Benefiting from a total of approximately 90 projects compared with approximately 50 in the previous financial year, revenue from the interior decoration work segment surged by 68.0% year-on-year to HK$121.1 million (2011: HK$72.1 million). During the year ended 31 March 2012, a number of large scale projects were acquired. The five largest projects accounted for over 50% of the segment's revenue. Gross profit margin for the interior decoration work segment declined slightly to 22.6% from 23.9% in the previous financial year.

Trading of furniture and fixtures

Revenue from the trading of furniture and fixtures business decreased by 45.2% year-on-year to HK$52.1 million (2011: HK$95.1 million). The significant decline was mainly attributable to the effect of a high margin Ritz Carlton Hotel project in Hong Kong which revenue was mostly booked in the previous financial year, and that no such mega project was obtained in the Financial Year. As a result, the segment's gross profit margin also decreased from 57.4% in last financial year to 51.5% in current year.

Discontinued Operations

Pursuant to a special general meeting held on 12 January 2012, the shareholders of the Company approved a group restructuring and pursuant to this group restructuring, the Company distributed to its shareholders ("**Distribution In Specie**") all of the ordinary shares in Chosen Investments Limited in which its subsidiaries carried out manufacturing and sale of furniture and fixtures in the United States of America, Europe, Asia Pacific and China and the provision of decoration works outside Hong Kong and Macau. Details of the group restructuring and the Distribution In Specie are set out in the announcements of the Company dated 30 October 2011 and 12 January 2012. The Distribution In Specie was completed on 20 January 2012.

Change of Company Name

To reflect the change in control of the Company in January 2012, the Company has changed its name to "Chinlink International Holdings Limited" from "Decca Holdings Limited" which has become effective on 20 January 2012. The registration of the new English name of the Company in Hong Kong under Part XI of the Companies Ordinance took effect from 16 February 2012. The Company has adopted "普滙中金國際控股有限公司" (for identification purpose only) as the Company's new Chinese name to replace "達藝控股有限公司" (for identification purpose only).

Board Changes

Mr. Li Weibin joined the Company as executive director of the Company (the "**Director**") on 27 January 2012 and Mr. Li Weibin was subsequently re-designated as the Chairman and Managing Director of the Company in place of Mr. Tsang Chi Hung ("**Mr. Tsang**") on 18 February 2012. Mr. Siu Wai Yip was appointed as executive Director on 27 January 2012. Ms. Lam Suk Ling, Shirley joined the Company as Chief Financial Officer and the Company Secretary on 27 January 2012 and was subsequently appointed as executive Director on 18 February 2012. Mr. Lau Chi Kit, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene were appointed as independent non-executive Directors on 18 February 2012.

Ms. Fung Sau Mui, who was executive Director, Director of Finance and Administration as well as Chief Financial Officer, has resigned from her positions and has been redesignated as non-executive Director with effect from 18 February 2012.

Mr. Tsang has resigned as an executive Director as well as his position of Chairman and Managing Director of the Company with effective from 18 February 2012. With effective from the same date, the five executive Directors, namely Mr. Liu Hoo Kuen, Mr. Richard Warren Herbst, Ms. Kwan Yau Choi, Mr. Tai Wing Wah and Mr. Wang Kam Hong and the three independent non-executive Directors, namely Mr. Chu Kwok Man, Mr. Cheng Woon Kam and Mr. Pak Wai Tun, Wallace have resigned.

FINANCIAL REVIEW

Capital and Debts Structure

As at 31 March 2012, the Group had net assets of HK$36.3 million (2011: HK$352.4 million) representing a substantial decrease of HK$316.1 million as compared to 2011. The decrease was mainly attributable to the net assets of Chosen Investments Limited being deconsolidated from the Group's consolidated financial statements upon completion of the Distribution In Specie.

As at 31 March 2012, the total borrowings of the Group amounting to HK$6.1 million (2011: HK$86.2 million) of which approximately HK$5.2 million (2011: HK$82.1 million) were repayable within one year, representing a decrease of HK$80.1 million. The decrease was mainly due to the repayment of certain bank borrowings and the net assets of Chosen Investments Limited being deconsolidated from the Group's consolidated financial statements. The interest rates of the Group's borrowings as at 31 March 2012 are fixed (2011: mainly floating).

The borrowings of the Group as at 31 March 2012 were denominated in Hong Kong dollars. Hence, the foreign currency risk exposure was minimal. As at 31 March 2012, the gearing ratio (total borrowings divided by net assets) was 0.17 (2011: 0.24).

Working Capital

The current ratio increased from 1.22 at 31 March 2011 to 1.48 at 31 March 2012 due to the net assets of Chosen Investments Limited being deconsolidated from the Group's consolidated financial statements.

Contingent Liabilities and Charges

Save as disclosed in note 35 to the consolidated financial statements, the Group did not have any significant contingent liabilities. As at 31 March 2012, the Group pledged its assets with carrying values of HK$1.3 million to secure obligations under finance leases.

As at 31 March 2011, the Group pledged its assets with carrying values of HK$39.1 million to secure banking facilities.

Foreign Currency Exposure

As the Group's revenue and expenses of the Continuing Operations are mainly denominated in Hong Kong dollars and its cash holding as well as the borrowings were also mainly denominated in Hong Kong dollars, foreign currency exposure of the Group is minimal.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2012 (2011: nil).

EMPLOYEES

As at 31 March 2012, the Group employed 36 employees in Hong Kong (2011: 127, 1502, 3, 30, 151 and 12 employees in Hong Kong, China, Singapore, US, Thailand and Europe respectively). The employees are remunerated based on their performance and working experience, taking into account the prevailing market conditions. Discretionary performance bonus may be given to employees of outstanding performance depending on the financial performance of the Group. Other employee benefits include mandatory provident fund, medical and training programs.

EVENTS AFTER THE REPORTING PERIOD

On 5 April 2012, the Company has entered into a letter of intent (the "**LOI**") with the local government of Hanzhong City, Shaanxi Province, the PRC (the "**Hanzhong Government**") in relation to the exclusive right to the cooperation in a project (the "**Project**") for the development of a construction material wholesale and logistics centre located in Hanzhong City (the "**Centre**"). Pursuant to the LOI, the Company shall commence the feasibility study and due diligence review on the Project. If the parties decide to proceed with the Project after satisfactory completion of the feasibility study and due diligence review, they shall enter into definitive cooperation agreements for the Project. If the Project materialises, it is expected that the Hanzhong Government shall assist in acquiring the relevant land use permits and developing necessary infrastructure for the Project while the Company shall be responsible for the construction, and future operation and management of the Project. As details of Project are still under negotiation and in very preliminary stage, the potential impact of the Project on the consolidated financial statements cannot be assessed up to the date of this report.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting on 9 May 2012 and all of the conditions as set out in the circular dated 23 April 2012 had been fulfilled, the existing issued and unissued shares of HK$0.10 each in share capital of the Company was subdivided into 8 shares of HK$0.0125 each ("**Share Subdivision**"). At the end of reporting period, the authorised share capital of the Company was HK$40,000,000 divided into 400,000,000 shares, of which 200,000,000 shares were in issue and fully paid. Immediately upon the Share Subdivision became effective from 10 May 2012, the authorised share capital of the Company was HK$40,000,000 comprising 3,200,000,000 subdivided shares, of which 1,600,000,000 subdivided shares were in issue and fully paid.

On 6 June 2012, the Company and Royale Furniture Holdings Limited ("**Royale Furniture**") have entered into a memorandum of under standing (the "**MOU**") which sets out the principal terms upon which Royale Furniture has agreed to provide, or procure the provision of, furniture on an exclusive basis to the Group (other than any sales made to distributors for retail sales only) in Shaanxi Province, the PRC and the Group has agreed to purchase, or procure the purchase of, furniture on an exclusive basis from Royale Furniture and its subsidiaries (other than any purchases made through retails) in Shaanxi Province, the PRC. The MOU will remain in effect for 3 months from the date of the MOU.

PROSPECTS

Despite the uncertain global economic outlook, the Group is cautiously optimistic about the future of its high-end interior design and the furniture business. Driven by the active housing market in Hong Kong, and the flourishing hotel and retail sectors in both Hong Kong and Macau as a result of a large number of affluent tourists visiting from Mainland China, the demand for high-end interior decoration work for residential, hotels and retail shops is expected to continue. As at 31 March 2012, the Group has already secured contracts of approximately HK$106 million. As one of the few that have capability and experience to handle large scale projects, the Group will continue to leverage on its talented design team, experienced project management skills and well-built relationship with corporate customers to attain larger market share in luxurious residential, retail and hotel markets.

In addition to the existing businesses in Hong Kong and Macau, the Group is actively seeking business opportunities in China. Leveraging on the strong network and connections of Mr. Li Weibin in the Shaanxi Province, and the strategic importance of Shaanxi Province as the gateway to the PRC's northwestern territories, the Group has chosen Shaanxi Province as the base of its mainland expansion. Recently, the Group has initiated the following two major projects in Shaanxi Province:

Building and construction materials integrated trade and logistics center in Hanzhong, Shaanxi Province

On 5 April 2012, the Group signed a letter of intent ("**LOI**") with the local government of Hanzhong City, Shaanxi Province, China (the "**Hanzhong Government**") to exclusively co-develop a building and construction materials integratedtrade and logistics center in Hanzhong City. The expected site area of the center is 1,200 acres. The Hanzhong Government shall assist in acquiring relevant land use right permits and developing infrastructure, whilst the Group will be responsible for the construction, future operation and management of the center. The management sees this as an opportunity to tap into the integrated trade and logistics center business so as to diversify the Group's business and revenue base. The Group has now commenced a feasibility study and due diligence review on the project. Further announcements will be made when more details are available.

Furniture, interior design and renovation services to the potential real estate developers in Shaanxi Province

Following the LOI with the Hanzhong Government, the Group entered into a memorandum of understanding with Royale Furniture (stock code: 1198.HK) on 6 June 2012. The Group has agreed to purchase furniture on an exclusive basis from Royale Furniture and its subsidiaries (the "**Royale Furniture Group**") (other than any purchases made through retails), while Royale Furniture Group has agreed to supply furniture on an exclusive basis to the Group (other than any sales made to distributors for retail sales only), in Shaanxi Province. This strategic alliance aims at exploring design-build project based business opportunities with real estate developers in Shaanxi Province to provide house-buyers with a one-stop solution for high quality furniture, interior design and renovation services. The management believes that the cooperation with a renowned China furniture brand will help build and enhance the Group's brand image in the Chinese market, as well as expand new sales channels in the long run.

With the establishment of the new businesses in Shaanxi Province, the geographic and business diversification will enable the Group to broaden its revenue streams and to diversify business risks in the future.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for each of the three financial years ended 31 December 2014:

For the year ended 31 December 2012

Financial review of operations

Revenue

During the year ended 31 December 2012, the Target Group achieved a turnover of approximately HK$92.4 million, a gross profit of approximately HK$63.9 million and a net profit of approximately HK$976.5 million.

Fair value changes of investment properties

The fair value changes of investment properties amounted approximately HK$1,122.7 million for the year ended 31 December 2012. It is because substantial construction of the Commercial Complex was completed in 2012 and therefore such part was classified as investment properties and corresponding revaluation adjustment was made for the year ended 31 December 2012.

Direct operating expenses

The Target Group incurred approximately HK$28.5 million direct operating expenses for the year ended 31 December 2012. The ratio of direct operating expenses over the rental and management income was 0.31.

Selling and marketing expenses

The Target Group incurred approximately HK$13.8 million selling and marketing expenses for the year ended 31 December 2012. It comprises advertising expenses and salary expenses.

Administrative expenses

The Target Group incurred approximately HK$17.5 million administrative expenses for the year ended 31 December 2012.

Finance cost

The Target Group incurred approximately HK$14.8 million finance costs for the year ended 31 December 2012.

Income tax

The Target Group incurred approximately HK$171.3 million income tax expense for the year ended 31 December 2012. The income tax expense was mainly derived from the deferred tax due to the fair value changes of investment properties. The concessionary tax rate of 15% was applied to the Target Group.

Loan receivables

The Target Group had approximately HK$49.7 million loan receivable as at 31 December 2012. The amount represented the outstanding receivable due from an independent third party. The amount was secured by the corporate and personal guarantees from other independent third parties, with no fixed repayment term and carried fixed interest rate at 9% per annum.

Receipt in advance

The Target Group had receipts in advance amounted approximately HK$72.0 million as at 31 December 2012. The amount represented the rental and management fees received in advance which are non-interest bearing. The receipts in advances are classified as current and non-current liabilities based on the utilization of rental prepayments, the timing of performance of the related management services and the rental periods respectively.

Loan from a related company

As at 31 December 2012, Tang Rong had a fixed interest rate loan advanced from 西安秦澧投資發展股份有限公司("秦澧") of amount of HK$125,835,000. 秦澧's ultimate controlling shareholder is 席有良, who is one of the directors of, and having significant influence over both Tang Rong and Ba Qiao. The amount was unsecured and with no fixed repayment term. The effective interest rate of loan from a related company was 15% per annum.

Bank and other borrowings

The Target Group had bank and other borrowings amounted approximately HK$223.6 million as at 31 December 2012.

Material acquisitions and disposals

The Target Group did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2012, the Target Group's net assets amounted to approximately HK$1,476.0 million. The current ratio, representing current assets divided by current liabilities was 0.18.

Total borrowings of the Target Group as at 31 December 2012 were approximately HK$349.4 million which consisted of loan from a related company of HK$125.8 million and bank and other borrowings of approximately HK$223.6 million. The cash and bank balances of the Target Group amounted to approximately HK$32.2 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.16.

During the year, the Target Group funded its working capital requirement and capital expenditure mainly through its own operational cash flow, advances from a related company and bank and other borrowings.

Charges of assets

As of 31 December 2012, none of the Target Group's assets was pledged.

Contingent liabilities

The Target Group did not have any material contingent liability as at 31 December 2012.

Employees

The Target Group had 206 employees as at 31 December 2012. Apart from stated-managed retirement benefit, the Target Group provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Target Group determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the revenue and operating cost were mainly dominated in Renminbi. Loan from a related company and bank and other borrowings were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Target Group's exposure to fluctuations in exchange rates was minimal. The Target Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Target Group did not have any significant investment.

For the year ended December 2013

Financial review of operations

Revenue

The Target Group generated turnover of approximately HK$96.6 million for the year ended 31 December 2013, representing an increase of approximately 4.5% from HK$92.4 million in the previous year. The increase in turnover was mainly due to the results for the year ended 31 December 2012 only covered eight months from the completion of the Commercial Complex in April 2012 while the results for the year ended 31 December 2013 covered twelve months. The gross profit of approximately HK$66.3 million and a net profit of approximately HK$82.1 million were recorded for the year ended 31 December 2013.

Fair value changes of investment properties

The fair value changes of investment properties amounted approximately HK$94.9 million for the year ended 31 December 2013, representing a decrease of approximately 91.5% from HK$1,122.7 million in the previous year. The decrease was due to substantial construction of the Commercial Complex was completed in 2012 and therefore such part was classified as investment properties and corresponding revaluation adjustment was made for the year ended 31 December 2012.

Direct operating expenses

The Target Group incurred approximately HK$30.3 million direct operating expenses for the year ended 31 December 2013, representing an increase of approximately 6.3% from HK$28.5 million in the previous year. The increase was mainly due to the results for the year ended 31 December 2012 only covered eight months while the results for the year ended 31 December 2013 covered twelve months. The ratio of direct operating expenses over the rental and management income was 0.31.

Selling and marketing expenses

The Target Group incurred approximately HK$13.5 million selling and marketing expenses for the year ended 31 December 2013, representing a decrease of approximately 2.2% from HK$13.8 million in the previous year. It comprises advertising expenses and salary expenses. The decrease was mainly due to the decrease in salary expenses.

Administrative expenses

The Target Group incurred approximately HK$16.7 million administrative expenses for the year ended 31 December 2013, representing a decrease of approximately 4.6% from HK$17.5 million in the previous year. The decrease was mainly due to the removal cost on non-compliance

construction, amounted approximately HK$1.2 million was incurred for the year ended 31 December 2012 while no such expense was noted for the year ended 31 December 2013. Details are set out in the Letter from the Board section headed "Compliance Record".

Finance cost

The Target Group incurred approximately HK$35.8 million finance costs for the year ended 31 December 2013, representing an increase of approximately 141.9% from HK$14.8 million in the previous year. The increase was mainly due to Ba Qiao incurred interest for loan from related companies amounted approximately HK$11.6 million for the year ended 31 December 2013 while no such expense was noted for the year ended 31 December 2012.

Income tax

The Target Group incurred approximately HK$17.7 million income tax expenses for the year ended 31 December 2013, representing a decrease of approximately 89.7% from HK$171.3 million in the previous year. The income tax expenses were mainly derived from the deferred tax due to the fair value changes of investment properties. The decrease was mainly due to the decrease in fair value changes of investment properties incurred for the year ended 31 December 2013 compared with that for the year ended 31 December 2012. The concessionary tax rate of 15% was applied to the Target Group.

Loan receivables

The Target Group had approximately HK$10.2 million loan receivable as at 31 December 2013, representing a decrease of approximately 79.5% from HK$49.7 million in the previous year. The amount represented the outstanding receivable due from an independent third party. The amount was secured by the corporate and personal guarantees from other independent third parties, with no fixed repayment term and carried fixed interest rate at 9% per annum. The decrease was mainly due to the repayment of the loan receivable during 2013.

Receipt in advance

The Target Group had receipts in advance amounted approximately HK$80.5 million as at 31 December 2013, representing an increase of approximately 11.8% from HK$72.0 million in the previous year. The amount represented the rental and management fees in advance which are non-interest bearing. The receipts in advances are classified as current and non-current liabilities based on the utilization of rental prepayments, the timing of performance of the related management services and the rental periods respectively.

Loan from a related company

The Target Group had no loan from a related company as at 31 December 2013, representing a decrease of approximately 100.0% from HK$125.8 million in the previous year. As at 31 December 2012, Tang Rong had a fixed rate loan advanced from 西安秦澧投資發展股份有

限公司("秦澧") of amount of HK$125,835,000. 秦澧's ultimate controlling shareholder is 席有良, who is one of the directors of, and having significant influence over both Tang Rong and Ba Qiao. The amount was unsecured and with no fixed repayment term. The effective interest rate of loan from a related company was 15% per annum. The decrease is mainly due to the loan had been fully repaid in November 2013.

Bank and other borrowings

The Target Group had bank and other borrowings amounted approximately HK$351.4 million as at 31 December 2013, representing an increase of approximately 57.2% from HK$223.6 million in the previous year. The increase is mainly due to the increase in bank borrowings.

Material acquisitions and disposals

The Target Group did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2013, the Target Group's net assets amounted to approximately HK$1,601.0 million. The current ratio, representing current assets divided by current liabilities was 0.09.

Total borrowings of the Target Group as at 31 December 2013 were approximately HK$359.7 million which consisted of loans from staff of HK$8.3 million and bank and other borrowings of approximately HK$351.4 million. The cash and bank balances of the Target Group amounted to approximately HK$33.2 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.15.

During the year, the Target Group funded its working capital requirement and capital expenditure mainly through its own operational cash flow, advances from staff and bank and other borrowings.

Charges of assets

As of 31 December 2013, none of the Target Group's assets has pledged.

Contingent liabilities

The Target Group has provided corporate guarantee to a bank for loans advanced to three independent third parties who are tenants of the Target Group amounted to RMB1,343,000 (equivalent to HK$1,717,000) as at 31 December 2013.

Employees

The Target Group had 194 employees as at 31 December 2013. Apart from stated-managed retirement benefit, the Target Group provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Target Group determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the revenue and operating cost were mainly dominated in Renminbi. Amounts due to staff and bank and other borrowings were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Target Group's exposure to fluctuations in exchange rates was minimal. The Target Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Target Group did not have any significant investment.

For the year ended December 2014

Financial review of operations

Revenue

The Target Group generated turnover of approximately HK$94.0 million for the year ended 31 December 2014, representing a decrease of approximately 2.7% from HK$96.6 million in the previous year. It is because the Property Management Company and the Property Development Company offered competitive prices to the tenants when they renewed the tenancy agreements and management services agreements and the slightly decrease in occupancy rate in 2014. The gross profit of approximately HK$62.2 million and a net profit of approximately HK$20.0 million were recorded for the year ended 31 December 2014.

Fair value changes of investment properties

The fair value changes of investment properties amounted approximately HK$24.1 million for the year ended 31 December 2014, representing a decrease of approximately 74.6% from HK$94.9 million in the previous year. The decrease may be due to the PRC government policies to stabilize the general price level of the properties.

Direct operating expenses

The Target Group incurred approximately HK$31.8 million direct operating expenses for the year ended 31 December 2014, representing an increase of approximately 5.0% from HK$30.3 million in the previous year. The increase was mainly due to the increase in the salary expenses. The ratio of direct operating expenses over the rental and management income was 0.34.

Selling and marketing expenses

The Target Group incurred approximately HK$14.3 million selling and marketing expenses for the year ended 31 December 2014, representing an increase of approximately 5.9% from HK$13.5 million in the previous year. It comprises advertising expenses and salary expenses. The increase was mainly due to the increase in the advertising expenses.

Administrative expenses

The Target Group incurred approximately HK$13.8 million administrative expenses for the year ended 31 December 2014, representing a decrease of approximately 17.4% from HK$16.7 million in the previous year. The decrease was mainly due to the decrease in the salary expenses in Ba Qiao.

Finance cost

The Target Group incurred approximately HK$33.5 million finance costs for the year ended 31 December 2014, representing a decrease of approximately 6.4% from HK$35.8 million in the previous year. The decrease was mainly due to the interest expenses on the loans from related companies incurred for the year ended 31 December 2013 and no such amount was noted for the year ended 31 December 2014 as it was fully settled in before 31 December 2013.

Income tax

The Target Group incurred approximately HK$6.4 million income tax expenses for the year ended 31 December 2014, representing a decrease of approximately 63.8% from HK$17.7 million in the previous year. The income tax expenses were mainly derived from the deferred tax due to the fair value changes of investment properties. The decrease was mainly due to the decrease in fair value changes of investment properties incurred for the year ended 31 December 2014 compared with that for the year ended 31 December 2013. The concessionary tax rate of 15% was applied to the Target Group.

Loan receivables

The Target Group had no loan receivable as at 31 December 2014, representing a decrease of approximately 100.0% from HK$10.2 million in the previous year. The amount represented the outstanding receivable due from an independent third party. The amount was secured by the corporate and personal guarantees from other independent third parties, with no fixed repayment term and carried fixed interest rate at 9% per annum. The decrease was mainly due to the amount had been fully settled in January 2014.

Receipt in advance

The Target Group had receipts in advance amounted approximately HK$76.9 million as at 31 December 2014, representing a decrease of approximately 4.5% from HK$80.5 million in the previous year. The amount represented the rental and management fees in advance which are non-interest bearing. The receipts in advances are classified as current and non-current liabilities based on the utilization of rental prepayments, the timing of performance of the related management services and the rental periods respectively.

Bank and other borrowings

The Target Group had bank and other borrowings amounted approximately HK$384.0 million as at 31 December 2014, representing an increase of approximately 9.3% from HK$351.4 million in the previous year. The slight increase is mainly due to the increase in bank borrowings.

Material acquisitions and disposals

The Target Group did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2014, the Target Group's net assets amounted to approximately HK$1,581.6 million. The current ratio, representing current assets divided by current liabilities was 0.16.

Total borrowings of the Target Group as at 31 December 2014 were approximately HK$397.2 million which consisted of loans from staff of HK$13.2 million and bank and other borrowings of approximately HK$384.0 million. The cash and bank balances of the Target Group amounted to approximately HK$35.3 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.17.

During the year, the Target Group funded its working capital requirement and capital expenditure mainly through its own operational cash flow, advances from staff and bank and other borrowings.

Charges of assets

At 31 December 2014, certain portion of the Target Group's investment properties with fair value amounting to HK$1,517,000,000 have been pledged to secure general banking facilities granted to the Target Group.

Contingent liabilities

The Target Group has provided corporate guarantee to a bank for loans advanced to three independent third parties who are tenants of the Target Group amounted to RMB1,041,000 (equivalent to HK$1,299,000) as at 31 December 2014.

Employees

The Target Group had 170 employees as at 31 December 2014. Apart from stated-managed retirement benefit, the Target Group provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Target Group determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the revenue and operating cost were mainly dominated in Renminbi and Hong Kong dollars. Amounts due to staff and bank and other borrowings were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Target Group's exposure to fluctuations in exchange rates was minimal. The Target Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Target Group did not have any significant investment.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE E-INNOVATION GROUP

Set out below is the management discussion and analysis of the E-Innovation Group for the period from 7 July 2014 (date of incorporation) to 31 December 2014:

For the period from 7 July 2014 (date of incorporation) to 31 December 2014

Financial review of operations

For the period from 7 July 2014 (date of incorporation) to 31 December 2014, the E-Innovation Group did not record any turnover and a net loss of approximately HK$0.03 million.

Material acquisitions and disposals

The E-Innovation Group did not have any material acquisition and disposal during the period.

Liquidity and financial resources

As at 31 December 2014, the E-Innovation Group's net liabilities amounted to approximately HK$0.03 million. The current ratio, representing current assets divided by current liabilities was 0.24.

Total borrowings of the E-Innovation Group as at 31 December 2014 were approximately HK$0.01 million which consisted of amount due to a director of HK$0.01 million. The amount due to a director was unsecured, interest-free and repayable on demand. The cash and bank balances of the E-Innovation Group amounted to approximately HK$0.01 million. The gearing ratio, as a ratio of total borrowings over total assets, was 1.0.

During the period, the E-Innovation Group funded its working capital requirement and capital expenditure mainly through advances from the director.

Charges of assets

As of 31 December 2014, none of the E-Innovation Group's assets was pledged.

Contingent liabilities

The E-Innovation Group did not have any material contingent liability as at 31 December 2014.

Employees

E-Innovation Group has no employee as at 31 December 2014.

Foreign currency exposure

During the period, the administrative expense was dominated in Hong Kong dollars. Amount due to a director and accruals were all denominated in Hong Kong dollars.

The E-Innovation Group did not have any foreign currency exposure.

Significant investments

During the period, the E-Innovation Group did not have any significant investment.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROPERTY MANAGEMENT COMPANY

Set out below is the management discussion and analysis of the Property Management Company for each of the three financial years ended 31 December 2014:

For the year ended 31 December 2012

Financial review of operations

During the year ended 31 December 2012, the Property Management Company achieved a turnover of approximately HK$68.7 million, a gross profit of approximately HK$29.7 million and a net loss of approximately HK$0.7 million. Approximate 100% of the Property Management Company's turnover was contributed by management fee income.

Material acquisitions and disposals

The Property Management Company did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2012, the Property Management Company's net assets amounted to approximately HK$96.0 million. The current ratio, representing current assets divided by current liabilities was 0.30.

Total borrowings of the Property Management Company as at 31 December 2012 were approximately HK$223.6 million which consisted of secured bank borrowings of approximately HK$223.6 million. The secured bank borrowings carried interest at prevailing market rates and had fixed repayment terms. The cash and bank balances of the Property Management Company amounted to approximately HK$26.6 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.49.

During the year, the Property Management Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and bank borrowings.

Charges of assets

As of 31 December 2012, none of the Property Management Company's assets was pledged.

Contingent liabilities

The Property Management Company did not have any material contingent liability as at 31 December 2012.

Employees

The Property Management Company had 133 employees as at 31 December 2012. Apart from state-managed retirement benefit, the Property Management Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Property Management Company determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the revenue and cost for management service were mainly dominated in Renminbi. Bank and other borrowings were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Property Management Company's exposure to fluctuations in exchange rates was minimal. The Property Management Company will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Property Management Company did not have any significant investment.

For the year ended December 2013

Financial review of operations

The Property Management Company generated turnover of approximately HK$69.0 million for the year ended 31 December 2013, representing an increase of approximately 0.4% from HK$68.7 million in the previous year. Approximately 100% of the Property Management Company's turnover was contributed by management fee income. The gross profit of approximately HK$19.3 million and a net loss of approximately HK$16.3 million were recorded for the year ended 31 December 2013.

Material acquisitions and disposals

The Property Management Company did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2013, the Property Management Company's net assets amounted to approximately HK$82.3 million. The current ratio, representing current assets divided by current liabilities was 0.09.

Total borrowings of the Property Management Company as at 31 December 2013 were approximately HK$341.7 million which consisted of secured bank borrowings of approximately HK$262.8 million and unsecured other borrowings of approximately HK$78.9 million. The secured bank borrowings were interest bearing and had fixed repayment terms while the unsecured other borrowing carried at a fixed-interest rates and had no fixed repayment term. The cash and bank balances of the Property Management Company amounted to approximately HK$28.7 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.63.

During the year, the Property Management Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and bank and other borrowings.

Charges of assets

As of 31 December 2013, none of the Property Management Company's assets was pledged.

Contingent liabilities

The Property Management Company has provided corporate guarantee to a bank for loans advanced to three independent third parties who are tenants of the Property Management Company amounted to RMB1,343,000 (equivalent to HK$1,717,000) as at 31December 2013.

Employees

The Property Management Company had 132 employees as at 31 December 2013. Apart from stated-managed retirement benefit, the Property Management Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Property Management Company determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the revenue and cost for management service were mainly dominated in Renminbi. Bank and other borrowings were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Property Management Company's exposure to fluctuations in exchange rates was minimal. The Property Management Company will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Property Management Company did not have any significant investment.

For the year ended December 2014

Financial review of operations

The Property Management Company generated turnover of approximately HK$65.3 million for the year ended 31 December 2014, representing an decrease of approximately 5.4% from HK$69.0 million in the previous year. Approximately 100% of the Property Management Company's turnover was contributed by the management fee income. The gross profit of approximately HK$16.0 million and a net loss of approximately HK$17.6 million were recorded for the year ended 31 December 2014.

Material acquisitions and disposals

The Property Management Company did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2014, the Property Management Company's net assets amounted to approximately HK$62.7 million. The current ratio, representing current assets divided by current liabilities was 2.25.

Total borrowings of the Property Management Company as at 31 December 2014 were approximately HK$338.0 million which consisted of secured bank borrowings of approximately HK$338.0 million. The secured bank borrowings carried interest at prevailing market rates and had fixed repayment terms. The cash and bank balances of the Property Management Company amounted to approximately HK$24.3 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.69.

During the year, the Property Management Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and bank borrowings.

Charges of assets

As of 31 December 2014, none of the Property Management Company's assets was pledged.

Contingent liabilities

The Property Management Company has provided corporate guarantee to a bank for loans advanced to three independent third parties who are tenants of the Property Management Company amounted to RMB1,041,000 (equivalent to HK$1,299,000) as at 31 December 2014.

Employees

The Property Management Company had 136 employees as at 31 December 2014. Apart from stated-managed retirement benefit, the Property Management Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Property Management Company determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the revenue and cost for management service were mainly dominated in Renminbi. Bank and other borrowings was all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Property Management Company's exposure to fluctuations in exchange rates was minimal. The Property Management Company will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, Property Management Company did not have any significant investment.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROPERTY DEVELOPMENT COMPANY

Set out below is the management discussion and analysis of the Property Development Company for each of the three financial years ended 31 December 2014:

For the year ended 31 December 2012

Financial review of operations

During the year ended 31 December 2012, the Property Development Company achieved a turnover of approximately HK$23.7 million, a gross profit of approximately HK$5.1 million and a net loss of approximately HK$4.5 million. Approximate 100% of the Property Development Company's turnover was contributed by rental income generated from investment properties.

Material acquisitions and disposals

The Property Development Company did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2012, the Property Development Company's net assets amounted to approximately HK$387.5 million. The current ratio, representing current assets divided by current liabilities was 0.04.

Total borrowings of the Property Development Company as at 31 December 2012 were approximately HK$253.3 million which consisted of loans from related companies of approximately HK$253.3 million. The loans from related companies were unsecured, interest-bearing and repayable within one year. The cash and bank balances of the Property Development Company amounted to approximately HK$5.6 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.34.

During the year, the Property Development Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow and advances from related companies.

Charges of assets

As of 31 December 2012, none of the Property Development Company's assets was pledged.

Contingent liabilities

As at 31 December 2012, the Property Development Company has provided corporate guarantees to certain bank's for the Property Management Company to obtain bank borrowings amounted to RMB179,832,000 (equivalent to HK$223,634,000).

Employees

The Property Development Company had 73 employees as at 31 December 2012. Apart from stated-managed retirement benefit, the Property Development Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Property Development Company determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the rental income generated from investment properties was mainly dominated in Renminbi. Amount due to related companies were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Property Development Company's exposure to fluctuations in exchange rates was minimal. The Property Development Company will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Property Development Company did not have any significant investment.

For the year ended December 2013

Financial review of operations

The Property Development Company generated turnover of approximately HK$27.6 million for the year ended 31 December 2013, representing an increase of approximately 16.5% from HK$23.7 million in the previous year. Approximately 100% of the Property Development Company's turnover was contributed by rental income generated from investment properties revenue. The gross profit of approximately HK$2.0 million and a net loss of approximately HK$24.4 million were recorded for the year ended 31 December 2013.

Material acquisitions and disposals

The Property Development Company did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2013, the Property Development Company's net assets amounted to approximately HK$373.7 million. The current ratio, representing current assets divided by current liabilities was 0.03.

Total borrowings of the Property Development Company as at 31 December 2013 were approximately HK$291.9 million which consisted of loan from a director of HK$0.8 million, loans from staff and staff of a related company of HK$7.5 million, other borrowings of HK$9.7 million and loans from related companies of approximately HK$273.9 million. The amounts due to a director, staff and staff of a related company and other borrowings were unsecured, interest-free and repayable within a year while amount due to related companies was unsecured, interest bearing and repayable a year after the date of withdrawal. The cash and bank balances of the Property Development Company amounted to approximately HK$4.6 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.39.

During the year, the Property Development Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow, advances from related companies, advance from staff and staff of a related company and bank and other borrowings.

Charges of assets

As of 31 December 2013, none of the Property Development Company's assets was pledged.

Contingent liabilities

As at 31 December 2013, the Property Development Company has provided corporate guarantees to certain bank's for the Property Management Company to obtain bank borrowings amounted to RMB205,464,000 (equivalent to HK$262,769,000).

Employees

The Property Development Company had 62 employees as at 31 December 2013. Apart from stated-managed retirement benefit, the Property Development Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Property Development Company determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the rental income generated from investment properties was mainly dominated in Renminbi. Amounts due to a director and staff and amount due to related companies were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Property Development Company's exposure to fluctuations in exchange rates was minimal. The Property Development Company will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Property Development Company did not have any significant investment.

For the year ended December 2014

Financial review of operations

The Property Development Company generated turnover of approximately HK$28.7 million for the year ended 31 December 2014, representing an increase of approximately 4.0% from HK$27.6 million in the previous year. Approximately 100% of the Property Development Company's turnover was contributed by the rental income generated from investment properties. The gross profit of approximately HK$1.4 million and a net loss of approximately HK$24.9 million were recorded for the year ended 31 December 2014.

Material acquisitions and disposals

The Property Development Company did not have any material acquisition and disposal during the year.

Liquidity and financial resources

As at 31 December 2014, the Property Development Company's net assets amounted to approximately HK$339.9 million. The current ratio, representing current assets divided by current liabilities was 0.05.

Total borrowings of the Property Development Company as at 31 December 2014 were approximately HK$327.4 million which consisted of loan from a director of HK$1.8 million, loans from staff and staff of a related company of HK$11.3 million, other borrowings of HK$46.0 million and loan from related companies of approximately HK$268.2 million. The amounts due to a director, staff and staff of a related company and other borrowings were unsecured, interest-bearing and repayable within a year while amount due to related companies was unsecured, interest bearing and repayable a year after the date of withdrawal. The cash and bank balances of the Property Development Company amounted to approximately HK$10.9 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.46.

During the year, the Property Development Company funded its working capital requirement and capital expenditure mainly through its own operational cash flow, advances from related companies, loan from staff and staff of a related company as well as bank and other borrowings.

Charges of assets

At 31 December 2014, certain portions of the Property Development Company's investment properties with carrying amount of HK$251,456,000 have been pledged to secure general banking facilities granted to the Property Management Company.

Contingent liabilities

As at 31 December 2014, the Property Development Company has provided corporate guarantees to certain bank's for the Property Management Company to obtain bank borrowings amounted to RMB270,948,000 (equivalent to HK$338,007,000).

Employees

The Property Development Company had 34 employees as at 31 December 2014. Apart from stated-managed retirement benefit, the Property Development Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Property Development Company determines employee compensation based on each employee's performance, qualifications, position and seniority.

Foreign currency exposure

During the year, the rental income generated from investment properties was mainly dominated in Renminbi. Amounts due to a director and staff and amount due to related companies were all denominated in Renminbi.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Property Development Company's exposure to fluctuations in exchange rates was minimal. The Property Development Company will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Significant investments

During the year, the Property Development Company did not have any significant investment.

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed very substantial acquisition in relation to the acquisition of the entire issued share capital of and sale loan due by E-innovation Limited (the "Target Company") involving issue of new shares under specific mandate and issue of bond (the "Acquisition") by Chinlink International Holdings Limited (the "Company") and its subsidiaries (the "Group") (together with the Target Company and its subsidiaries hereinafter referred to as the "Enlarged Group"), the unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed Acquisition on the Group's financial position as at 31 March 2014 and the Group's financial performance and cash flows for the year ended 31 March 2014 as if the Acquisition had taken place at 31 March 2014 and 1 April 2013 respectively.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 March 2014 which has been extracted from the published annual report of the Company for the year ended 31 March 2014; and (ii) the audited consolidated statement of financial position of the Target Company and its subsidiary (the "E-Innovation Group") as at 31 December 2014; the audited statement of financial position of 西安唐榮置業有限公司 (Xi'an Tang Rong Real Estate Limited) ("Tang Rong") as at 31 December 2014 and the audited statement of financial position of 西安大明宮灞橋建材家具有限公司 (Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited) ("Ba Qiao") (together with the E-Innovation Group and Tang Rong hereinafter referred to as the "Target Group") as at 31 December 2014, which have been extracted from the accountants' reports set out in Appendix IIA, Appendix IIB and Appendix IIC to this Circular respectively.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income, the audited consolidated statement of cash flows of the Group for year ended 31 March 2014 as extracted from the published annual report of the Company; and (ii) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the E-Innovation Group for the period from 7 July 2014 (date of incorporation) to 31 December 2014; the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of Tang Rong for the year ended 31 December 2014; and the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of Ba Qiao for the year ended 31 December 2014, which have been extracted from the accountants' reports as set out in Appendix IIA, Appendix IIB and Appendix IIC to this Circular respectively.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate (a) the financial position of the Enlarged Group as if the Acquisition had been completed on 31 March 2014; and (b) the financial results and cash flows of the Enlarged Group as if the Acquisition had been completed on 1 April 2013.

The financial year end of the Group is 31 March while that of the Target Group's is 31 December. The Directors of the Company consider that there are no material seasonal factors for the Enlarged Group and their results as well as cash flows for the year ended 31 March 2014 are not expected to be significantly different from the results and cash flows prepared based on Target Group's financial year ended 31 December 2014. Accordingly, the Directors of the Company use the statement of financial position as at 31 March 2014 and the statements of profit or loss and other comprehensive income and the cash flows for the year ended 31 March 2014 of the Group and the statement of financial positions as at 31 December 2014 and the statements of profit or loss and other comprehensive income and the cash flows for the year/period ended 31 December 2014 of E-Innovation Group, Tang Rong and Ba Qiao to prepare the unaudited pro forma financial information of the Enlarged Group.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the proposed Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors of the Company based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not purport to predict what the results and cash flows, or financial position of the Enlarged Group would have been upon completion of the Acquisition in any future periods or on any future dates.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this Circular, and the financial information of E-Innovation Group as set out in Appendix IIA to this Circular, the financial information of Tang Rong as set out in Appendix IIB, and the financial information of Ba Qiao as set out in Appendix IIC and other financial information included elsewhere in this Circular.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

	The Group for the year ended 31 March 2014 *HK$'000* *Note (1)*	Pro forma adjustment *HK$'000* *Note (2)(i)*	Pro forma adjustment *HK$'000* *Note (2)(ii)*	Pro forma adjustment *HK$'000* *Note (2)(iii)*	Pro forma adjustment *HK$'000* *Note (3)(i)*	Pro forma adjustment *HK$'000* *Note (4)(ii)*	Pro forma adjustment *HK$'000* *Note (6)*	Pro forma adjustment *HK$'000* *Note (7)*	Pro forma adjustment *HK$'000* *Note (8)*	Unaudited pro forma Enlarged Group *HK$'000*
Revenue	151,731	–	28,720	65,270						245,721
Cost of sales and services	(110,691)	–	(27,285)	(49,363)		44,831				(142,508)
Gross profit	41,040	–	1,435	15,907						103,213
Other income, gains and losses	(8,186)	–	816	17,401	(16,568)					(6,537)
Gain from bargain purchase	–	–	–	–				362,855		362,855
Fair value changes of investment properties	–	–	–	–				24,100		24,100
Distribution, selling and marketing expenses	(1,398)	–	–	(14,259)						(15,657)
Administrative expenses										
– equity-settled share-based payments	(15,390)	–	–	–						(15,390)
– other administrative expenses	(43,467)	(32)	(3,085)	(10,713)						(57,297)
	(58,857)	(32)	(3,085)	(10,713)						(72,687)
Consultancy fees	(764)	–	–	–						(764)
Finance costs	(64,895)	–	(24,051)	(25,976)	16,568		(14,416)			(112,770)
Other expenses	–	–	–	–					(3,624)	(3,624)
(Loss) profit before taxation	(93,060)	(32)	(24,885)	(17,640)						278,129
Taxation	2,718	–	–	–				(3,615)		(897)
(Loss) profit for the year	(90,342)	(32)	(24,885)	(17,640)						277,232
Other comprehensive expense for the year										
Item that may be subsequently reclassified to profit or loss:										
Exchange difference arising on translation of foreign operations	(1,818)	–	–	–						(1,818)
Item that will not be subsequently reclassified to profit or loss:										
Exchange difference arising from translation to presentation currency	–	–	(8,911)	(1,885)		(330)		(164)		(11,290)
Other comprehensive expense for the year	(1,818)	–	(8,911)	(1,885)						(13,108)
Total comprehensive (expense) income for the year	(92,160)	(32)	(33,796)	(19,525)						264,124
(Loss) profit for the year attributable to:										
Owners of the Company	(90,342)	(32)	(24,885)	(17,640)	11,322	32,895	(14,416)	377,886	(3,624)	271,164
Non-controlling interests	–	–	–	–	(11,322)	11,936		5,454		6,068
	(90,342)	(32)	(24,885)	(17,640)						277,232
Total comprehensive expense for the year attributable to:										
Owners of the Company	(92,160)	(32)	(33,796)	(19,525)	14,197	32,653	(14,416)	377,766	(3,624)	261,063
Non-controlling interests	–	–	–	–	(14,197)	11,848		5,410		3,061
	(92,160)	(32)	(33,796)	(19,525)						264,124

2. Unaudited pro forma consolidated statement of financial position

	The Group as at 31 March 2014 *HK$'000* *Note (1)*	Pro forma adjustment *HK$'000* *Note (2)(i)*	Pro forma adjustment *HK$'000* *Note (2)(ii)*	Pro forma adjustment *HK$'000* *Note (2)(iii)*	Pro forma adjustment *HK$'000* *Note(3)(ii)*	Pro forma adjustment *HK$'000* *Note (4)(i)*	Pro forma adjustment *HK$'000* *Note (5)*	Pro forma adjustment *HK$'000* *Note (8)*	Unaudited pro forma Enlarged Group *HK$'000*
NON-CURRENT ASSETS									
Property, plant and equipment	20,614	–	318	193,865		(191,243)			23,554
Prepaid lease payments	–	–	267,230	–		(267,230)			–
Rental deposits	970	–	–	–					970
Prepaid rental expenses	598	–	–	–					598
Intangible assets	3,965	–	–	–					3,965
Interest in an associate	–	–	3,109	–					3,109
Investment properties	–	–	423,726	–		465,712	1,374,775		2,264,213
Deposits paid for construction of investment properties	–	–	1,576	–					1,576
Amounts due from former subsidiaries	13,607	–	–	–					13,607
	39,754	–	695,959	193,865					2,311,592
CURRENT ASSETS									
Prepaid lease payments	–	–	7,239	–		(7,239)			–
Inventories	4,211	–	–	–					4,211
Deposits paid for prepaid lease payments for land	31,257	–	–	–					31,257
Accrued revenue	9,890	–	–	–					9,890
Trade receivables	6,697	–	–	–					6,697
Trade receivables from a related company	5,626	–	–	–					5,626
Loan receivable	26,000	–	–	–					26,000
Other receivables, deposits and prepayments	9,420	–	374	755					10,549
Tax recoverable	–	–	7	–					7
Amounts due from former subsidiaries	6,087	–	–	–					6,087
Amount due from a related company	–	–	–	268,213	(268,213)				–
Pledged bank deposits	340,184	–	–	–					340,184
Bank balances and cash	228,439	10	10,927	24,323			(224,815)	(3,624)	35,260
	667,811	10	18,547	293,291					475,768
CURRENT LIABILITIES									
Deferred revenue	47,526	–	–	–					47,526
Trade payables	13,078	–	–	–					13,078
Receipts in advance	920	–	13,777	28,975					43,672
Other payables and accruals	12,605	32	5,757	7,511					25,905
Amount due to a director	–	10	–	–					10
Amounts due to former subsidiaries	9,536	–	–	–					9,536
Construction costs accruals	–	–	14,018	2,442					16,460
Deposits received from tenants	–	–	–	24,928					24,928
Loans from staff and staff of a related company	–	–	11,342	–	1,808				13,150
Loan from a director	–	–	1,808	–	(1,808)				–
Provision for warranty	454	–	–	–					454
Financing guarantee contracts	2,938	–	–	–					2,938
Tax payable	1,834	–	–	868					2,702
Bank overdraft	4,921	–	–	–					4,921
Bank and other borrowings	52,862	–	46,042	65,890					164,794
6.5% coupon bonds	191,332	–	–	–					191,332
Obligations under finance leases	257	–	–	–					257
Loans from a related company	–	–	268,213	–	(268,213)				–
Consideration payable	–	–	–	–			255,335		255,335
	338,263	42	360,957	130,614					816,998
NET CURRENT ASSETS (LIABILITIES)	329,548	(32)	(342,410)	162,677					(341,230)
TOTAL ASSETS LESS CURRENT LIABILITIES	369,302	(32)	353,549	356,542					1,970,362

	The Group as at 31 March 2014	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)(i)*	*Note (2)(ii)*	*Note (2)(iii)*	*Note(3)(ii)*	*Note (4)(i)*	*Note (5)*	*Note (8)*	
NON CURRENT LIABILITIES									
Receipts in advance	–	–	13,656	20,472					34,128
Deposits received from tenants	–	–	–	1,222					1,222
Bank and other borrowings	–	–	–	272,117					272,117
Obligations under finance leases	423	–	–	–					423
7.5% convertible bonds	257,258	–	–	–					257,258
12.0% coupon bonds	–	–	–	–			119,900		119,900
Deferred tax liabilities	8,754	–	–	–			206,216		214,970
	266,435	–	13,656	293,811					900,018
NET ASSETS	102,867	(32)	339,893	62,731					1,070,344
CAPITAL AND RESERVES									
Share capital	24,100	–	365,200	94,560			(454,785)		29,075
							221,891		
							325,966		
							57,168		
							(50)		
Reserves	78,767	(32)	(25,307)	(31,829)			604,975	(3,624)	622,950
Equity attributable to:									
Owner of the Target	102,867	(32)	339,893	62,731					652,025
Non-controlling interests	–	–	–	–			418,319		418,319
TOTAL EQUITY	102,867	(32)	339,893	62,731					1,070,344

3. Unaudited pro forma consolidated statement cash flows

	The Group for the year ended 31 March 2014 *HK$'000* *Note (1)*	Pro forma adjustment *HK$'000* *Note (2)(i)*	Pro forma adjustment *HK$'000* *Note (2)(ii)*	Pro forma adjustment *HK$'000* *Note (2)(iii)*	Pro forma adjustment *HK$'000* *Note (3)(i)*	Pro forma adjustment *HK$'000* *Note (4)*	Pro forma adjustment *HK$'000* *Note (5)*	Pro forma adjustment *HK$'000* *Note (6)*	Pro forma adjustment *HK$'000* *Note (7)*	Pro forma adjustment *HK$'000* *Note (8)*	Unaudited pro forma Enlarged Group *HK$'000*
OPERATING ACTIVITIES											
(Loss) profit before taxation	(93,060)	(32)	(24,885)	(17,640)	–	44,831		(14,416)	386,955	(3,624)	278,129
Adjustments for:											
Interest income	(4,602)	–	(331)	(17,101)	16,568						(5,466)
Finance costs	64,895	–	24,051	25,976	(16,568)			14,416			112,770
Adjustment in amounts due from former subsidiaries	4,077	–	–	–							4,077
Change in fair value of investments held-for-trading	(145)	–	–	–							(145)
Depreciation of property, plant and equipment	1,246	–	216	27,314		(26,276)					2,500
Depreciation of investment properties	–	–	11,261	–		(11,261)					–
Amortisation on prepaid lease payment	–	–	7,294	–		(7,294)					–
Allowance for bad and doubtful debts, net	524	–	–	–							524
Equity-settled share-based payments	15,390	–	–	–							15,390
Provision for warranty recognised	288	–	–	–							288
Financing guarantee contracts recognised	2,986	–	–	–							2,986
Exchange difference on translation of intra group balances	2,172	–	–	–							2,172
Gain on disposal of property, plant and equipment	–	–	(106)	(469)							(575)
Change in fair value of investment properties	–	–	–	–					(24,100)		(24,100)
Gain on bargain purchase	–	–	–	–					(362,855)		(362,855)
Operating cash flows before movements in working capital	(6,229)	(32)	17,500	18,080							25,695
Decrease in inventories	2,474	–	–	–							2,474
Decrease in accrued revenue	765	–	–	–							765
Decrease in trade receivables	5,651	–	–	–							5,651
Increase in trade receivable from a related company	(5,707)	–	–	–							(5,707)
Long term rental deposits paid	(970)	–	–	–							(970)
(Increase) decrease in other receivables, deposits and prepayments	(7,956)	–	7	(662)							(8,611)
Increase in deferred revenue	35,394	–	–	–							35,394
Decrease in trade payables	(10,706)	–	–	–							(10,706)
Decrease in receipts in advance	(3,910)	–	(623)	(991)							(5,524)
Increase (decrease) in other payables and accruals	486	32	(278)	1,185							1,425
Utilisation of provision for warranty	(1,884)	–	–	–							(1,884)
Proceeds from disposal of investments held-for-trading	18,720	–	–	–							18,720
Increase in deposit receipts from tenants	–	–	–	3,783							3,783
Cash generated from operations	26,128	–	16,606	21,395							60,505
Hong Kong Profits Tax paid	(619)	–	–	–							(619)
Overseas Profits Tax paid	(270)	–	–	–							(270)
Net cash generated from (used in) operating activities	25,239	–	16,606	21,395							59,616

	The Group for the year ended 31 March 2014	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)(i)*	*Note (2)(ii)*	*Note (2)(iii)*	*Note (3)(i)*	*Note (4)*	*Note (5)*	*Note (6)*	*Note (7)*	*Note (8)*	
Investing activities											
Placement of time deposit	(69,514)	–	–	–							(69,514)
Repayment from former subsidiaries	3,277	–	–	–							3,277
Interest received	4,602	–	331	17,101	(16,568)						5,466
Purchase of property, plant and equipment	(1,438)	–	–	(9)							(1,447)
Advance to independent third parties	(87,000)	–	–	–							(87,000)
Repayment from independent third parties	61,000	–	–	10,056							71,056
Placement of pledged bank deposits	(588,682)	–	–	–							(588,682)
Withdrawal of pledged bank deposits	244,308	–	–	–							244,308
Proceeds on disposal of property, plant and equipment	–	–	175	1,402							1,577
Additions of investment properties	–	–	(2,296)	–							(2,296)
Settlement of construction cost accruals	–	–	(27,184)	(31,386)							(58,570)
Acquisition of a subsidiary	–	–	–	–					(18,676)		(18,676)
Advance to a related company	–	–	–	55,558	(55,558)						–
Repayment from a related company	–	–	–	(56,564)	56,564						–
Net cash used in investing activities	(433,447)	–	(28,974)	(3,842)							(500,501)
Financing activities											
Proceeds from issue of 7.5% convertible bonds	300,000	–	–	–							300,000
Expenses on issued of 7.5% convertible bonds	(18,306)	–	–	–							(18,306)
Proceeds from issue of 6.5% coupon bonds	190,450	–	–	–							190,450
Expenses on issue of 6.5% coupon bonds	(9,828)	–	–	–							(9,828)
Interest on borrowings and finance leases obligation	(4,006)	–	–	–							(4,006)
New bank and other borrowing raised	45,000	–	71,614	364,524							481,138
Repayment of bank and other borrowings	(775)	–	(37,446)	(357,611)							(395,832)
Net proceeds from issue of warrants	379	–	–	–							379
Advances from staff and staff of a related company	3,711	–	19,237	–	7,982						30,930
Repayments to staff and staff of a related company	–	–	(15,606)	–	(7,039)						(22,645)
Repayment of finance lease obligation	(237)	–	–	–							(237)
Increase in bank overdrafts	4,921	–	–	–							4,921
Finance costs paid	–	–	(20,816)	(28,166)	16,568			(14,400)			(46,814)
Expenses on issue of shares				–			(50)				(50)
Expenses on issue of 12% coupon bonds				–					(100)		(100)
Advances from a related company	–	–	56,564	–	(56,564)						–
Repayments to a related company	–	–	(55,558)	–	55,558						–
Advances from a director	–	10	7,982	–	(7,982)						10
Repayment to a director	–	–	(7,039)	–	7,039						–
Net cash from (used in) financing activities	511,309	10	18,932	(21,253)							510,010
Net increase (decrease) in cash and cash equivalents	103,101	10	6,564	(3,700)							69,125
Cash and cash equivalents at the beginning of the year	55,696	–	4,553	28,692					(33,245)		55,696
Effect of foreign exchange rate changes, net	128	–	(190)	(669)					859		128
Cash and cash equivalents at the end of the year, represented by bank balances and cash	158,925	10	10,927	24,323							124,949

4. Notes to unaudited pro forma financial information

Notes:

(1) The financial information of the Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 March 2014 and the audited consolidated statement of financial position as at 31 March 2014 included in the published annual report of the Group for the year ended 31 March 2014.

(2)(i) The adjustment represents financial information of the E-Innovation Group extracted from the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the E-Innovation Group for the period from 7 July 2014 (date of incorporation) to 31 December 2014 and the audited consolidated statement of financial position as at 31 December 2014 of the E-Innovation Group included in the accountants' report of the E-Innovation Group as set out in Appendix IIA to this Circular.

(2)(ii) The adjustment represents financial information of Tang Rong extracted from the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of Tang Rong for the year ended 31 December 2014 and the audited statement of financial position as at 31 December 2014 of Tang Rong included in the accountants' report of Tang Rong as set out in Appendix IIB of this Circular.

(2)(iii) The adjustment represents financial information of Ba Qiao extracted from the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of Ba Qiao for the year ended 31 December 2014 and the audited statement of financial position as at 31 December 2014 of Ba Qiao included in the accountants' report of Ba Qiao as set out in Appendix IIC of this Circular.

(3)(i) The adjustment represents the elimination of inter-company transactions and related cash flows of those inter-company balances of the Target Group on consolidation; as well as recognition of non-controlling interests for the year, assuming (i) the acquisition of 73.375% of the equity interests in Tang Rong by E-Innovation Group on 9 February 2015 ("Tang Rong Acquisition"), (ii) the acquisition of 73.375% of the equity interests in Ba Qiao by E-Innovation Group on 7 January 2015 ("Ba Qiao Acquisition") had both been taken place on 1 April 2013, respectively.

The adjustment also reflects the reclassification of cash flows arising from advances from/repayment to a director under Tang Rong to advances from/repayment to staff of the Enlarged Group.

(3)(ii) The adjustment represents the elimination of inter-company balances of the Target Group on consolidation; as well as reclassification of loan from a director under Tang Rong to loan from staff assuming (i) the Tang Rong Acquisition and (ii) Ba Qiao Acquisition had both been taken place on 31 March 2014 respectively.

(4) The commercial complex to be acquired through the Acquisition comprise of i) leasehold land (the "Land") presented as prepaid lease payments and the building structure of the shopping mall situated on the Land (the "Building") presented as investment properties recognised at cost less accumulated amortisation/depreciation in the financial statements of Tang Rong and ii) leasehold improvements constructed on the Building presented as property, plant and equipment recognised at cost less accumulated depreciation in the financial statements of Ba Qiao.

(i) The adjustment represents impact on reclassification of those prepaid lease payments and leasehold improvements carrying at costs less accumulated amortisation/depreciation to investment properties at 31 March 2014; and

(ii) The adjustment reflects the reversal of those amortisation/depreciation charged to profit of loss; as well as the adjustment on relevant amount of non-controlling interests shared if the Acquisition had been taken place on 1 April 2013 and the investment properties are not subject to depreciation but stated at fair value.

These adjustments are made before taking into consideration of fair value adjustment upon Acquisition as detailed in note (5) and note (7).

(5) Pursuant to the conditional sale and purchase agreement dated 18 February 2015 entered into among the holding company of the Target Company and a wholly-owned subsidiary of the Company (the "SPA"), the total consideration includes:

(i) HK$480,000,000 shall be paid by cash;

(ii) HK$120,000,000 shall be settled by procuring the Company to issue bond in the principal amount of HK$120,000,000 to the Seller (or its nominee) upon the completion of the Acquisition in accordance with the terms and conditions of the SPA. Such bond carries interest rate at 12% per annum and repayable after 5 years with details disclosed in the Circular; and

(iii) HK$200,000,000 shall be settled by procuring the Company to allot and issue an aggregate of 398,009,950 new Shares to be allotted and issued, credited as fully paid, being part of the total consideration to be paid to the Seller (or its nominee) for the Acquisition (the "Shares Consideration").

Under Hong Kong Financial Reporting Standard 3 (Revised) – Business Combinations, acquisition method of accounting should be applied. The Shares Consideration is approximately HK$226,866,000, representing the fair value of 398,009,950 new shares of at 31 March 2014. The fair value of the ordinary shares of the Company was determined by reference to the published closing market price of HK$0.57 per share at 31 March 2014 as if the Acquisition had been completed on 31 March 2014 and is subject to finalisation at the date of completion of the Acquisition. For the purpose of preparation of unaudited pro forma financial information, assuming that the Acquisition had been taken place on 31 March 2014, based on the estimation by the directors of the Company, gain on bargain purchase of HK$325,966,000 are recognised upon Acquisition.

	HK$'000
Aggregated assets of the E-Innovation Group, Tang Rong and Ba Qiao, represented net assets of the Target Group presented in the Accountants' Reports as set out in Appendix IIA, IIB and IIC to this Circular	402,592
Fair value adjustment on investment properties *(Note a)*	1,374,775
Deferred tax on fair value adjustment *(Note b)*	(206,216)
Fair value of net assets of the Target Group	1,571,151
Less: Consideration transferred	
Cash consideration	(480,000)
Bond consideration	(120,000)
Shares consideration	(226,866)
Non-controlling interests	(418,319)
Pro forma adjustment on gain on bargain purchase	325,966

Notes:

a) The fair values of the Target Group's investment properties at 31 December 2014 of HK$2,264,213,000 were arrived at on the basis of a valuation carried out on that date by Ascent Partners Valuation Service Limited ("Ascent Partners"). Ascent Partners is an independent qualified professional valuers not connected with the Enlarged Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair values of other assets and liabilities are assumed to be approximately to that of carrying amounts as of the date of Acquisition.

b) Deferred tax on fair value adjustment is measured by reference to the fair value changes in investment properties and measures at tax rate of 15%, the tax rate that has been enacted by Tang Rong and Ba Qiao which are recognised as "Go West" regional development programme corporate. In measuring the Target Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Target Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts through use.

At 31 March 2014, the Group's bank balances and cash is approximately HK$228,439,000. The shortfall between the cash consideration of HK$480,000,000 and the Group's bank balances and cash (net of transaction cost of HK$3,774,000) of HK$255,335,000 is presented as consideration payable.

Upon the Acquisition, share capital of E-Innovation, Tang Rong and Ba Qiao as well as the pre-acquisition reserves of the Target Group are elimination on consolidation. Besides, the Company will issue the new bond of HK$120,000,000 with direct transaction cost of HK$100,000, assuming the Acquisition had taken place on 31 March 2014. Since the bond will be redeemed at 31 March 2019, it is classified as non-current liability.

The adjustment to share capital of HK$4,975,000 and other reserves of HK$221,891,000 represents the issue of 398,009,950 new ordinary shares of the Company with par value of HK$0.0125 each. The issue price of the shares allotted due to the Acquisition is HK$0.57 each. The aggregate exceeding amount between issue price and par value of 398,009,950 new ordinary shares of HK$221,891,000 is recognised as share premium in other reserves.

The direct transactions cost on issue of shares of HK$50,000 is recognised to net off against share premium.

The fair value of net assets of the Target Group, including the investment properties and deferred tax, amount of gain on bargain purchase are subject to change and would be recalculated upon the actual completion of the Acquisition and also depends on the fair value of the ordinary shares of the Company as well as the bonds in issue at the date of completion of the Acquisition.

(6) Pursuant to clause 4.1 (3) of the SPA, the Group should satisfy part of the consideration by procuring the Company to issue a 12%, five-year term unsecured coupon bonds in the principal amount of HK$120,000,000 as detailed in the Circular. The adjustment is to reflect the finance costs arising from the new bond of HK$14,416,000 (including the amortisation of issuance cost capitalised) charged to profit or loss and HK$14,400,000 on payment of interest of bond, assuming the Acquisition had taken place on 1 April 2013.

(7) The adjustments reflect the recognition of gain on bargain purchase for the year ended 31 March 2014, assuming the Acquisition had taken place at the beginning of the relevant year.

	HK$'000
Aggregated net assets of the Target Group acquired at 31 December 2013 presented in the Accountants' Reports as set out in Appendix IIA, IIB and IIC to this Circular	455,945
Fair value adjustment on investment properties	1,339,245
Deferred tax on fair value adjustment	(200,887)
Fair value of net assets of the Target Group	1,594,303
Less: Consideration transferred	
Cash consideration	(480,000)
Bond consideration	(120,000)
Shares consideration	(206,965)
Non-controlling interests	(424,483)
Pro forma adjustment on gain on bargain purchase	362,855

The fair value of the ordinary shares of the Company was determined by reference to the published closing market price of HK$0.52 per share at 1 April 2013 as if the Acquisition had been completed on 1 April 2013 and is subject to finalisation at the date of completion of the Acquisition.

The fair values of the Target Group's investment properties at the beginning of the Target Group's financial year ended 31 December 2014 of HK$2,294,347,000 were arrived at on the basis of a valuation carried out on the date by Ascent Partners. Ascent Partners is an independent qualified professional valuers not connected with the Enlarged Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The determination of the fair value of other assets and liabilities and the deferred tax on fair value adjustment is based on the same basis set out in note (5).

The amount of gain on bargain purchase is subject to change as explained in note (5).

Upon the Acquisition, investment properties are measured at fair value to conform to the accounting policies adopted by the Group. The changes in fair values of investment properties of HK$24,100,000 are reflected in the pro forma consolidated statement of profit or loss and other comprehensive income for the year.

The cash flows impact on Acquisition, assuming the Acquisition had taken place on 1 April 2013, is:

	HK$'000
Consideration paid in cash	51,922
Less: Cash and cash equivalent balances acquired	(33,246)
	18,676

At 1 April 2013, the Group's bank balances and cash is approximately HK$55,696,000. The shortfall between the cash consideration of HK$480,000,000 and the Group's bank balances and cash (net of transaction cost of HK$3,774,000) of HK$428,078,000 is presented as consideration payable.

(8) This adjustment represents the effect of estimated transaction costs of approximately HK$3,624,000 to be incurred for the Acquisition, including but not limited to legal and professional fees and after excluding costs incurred in issuance of bonds and shares as set out in note (5), directly attributable to the Acquisition estimated by the Directors of the Company.

(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

Deloitte.
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINLINK INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chinlink International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2014, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014, the pro forma consolidated statement of cash flows for the year ended 31 March 2014 and related notes as set out in Appendix V of the circular issued by the Company dated 6 May 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information is set out in Section A of Appendix V.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial acquisition in relation to the acquisition of the entire issued share capital of and sale loan due by E-innovation Limited involving issue of new shares under specific mandate and issue of bond on the Group's financial position as at 31 March 2014 and the Group's financial performance and cash flows for the year ended 31 March 2014 as if the transaction had taken place at 31 March 2014 and 1 April 2013 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2014, on which an audit report has been published.

Directors' Responsibilities 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 ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting 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 Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2014 or 1 April 2013 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 May 2015

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Ascent Partners Valuation Service Limited, an independent valuer, in connection with its valuation as at 28 February 2015 of the property interests to be acquired by the Group.

ASCENT PARTNERS
Together We Flourish

Suite 2102, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong
Tel: 3679-3890
Fax: 3579-0884

Date: 6 May 2015

The Board of Directors
Chinlink International Holdings Limited
7th Floor
Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "**PRC**") which are going to be acquired by Chinlink International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") from E-Innovation Limited (the "**Target Company**") which through its subsidiary owns 73.375% of the equity interest of Tang Rong, formerly known as Xian Sheng Tang Development Limited (西安盛唐投資發展股份有限公司), the owner of the properties (hereinafter together referred to the "**Target Group**"). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 28 February 2015 (the "**Valuation Date**") for circular purpose.

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

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

PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

In valuing the property in Group I, which is held by the Target Company for investment in the PRC, we have valued on market basis and the direct comparison method is adopted where comparison based on comparable sales/asking evidence. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

In valuing the property in Group II, which is held by the Target Company for future development in the PRC, we have made reference to the comparable sales transactions as available in the subject localities as well as the relevant benchmark land prices.

VALUATION CONSIDERATIONS

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

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, GFE Law Office (廣東恒益律師事務所), concerning the validity of the Group's title to the property interests located in the PRC.

SITE INSPECTIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

The site inspection of the property was carried out by Mr. Stephen Yeung who is a Chartered Surveyor on 11 December 2014.

LIMITING CONDITIONS

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

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

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. 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 written consent.

REMARKS

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi ("**RMB**"), the official currency of the PRC.

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
Ascent Partners Valuation Service Limited
Stephen Y. W. Yeung
MFin BSc(Hons) Land Adm. MHKIS MCIREA RPS(GP)
Principal

Mr. Stephen Y. W. Yeung is a Registered Professional Surveyor (General Practice Division) and a Professional Member of The Hong Kong Institute of Surveyors with over 10 years' experience in valuation of properties in HKSAR and mainland China. Mr. Yeung is also a valuer on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by HKIS.

SUMMARY OF VALUES

	Property	Market Value in existing state as at 28 February 2015 *(RMB)*	Interests Attributable to the Target Company	Value Attributable to the Target Company as at 28 February 2015 *(RMB)*
Group I – Property held by the Target Company for investment in the PRC				
1	Phase I of Daminggong Dongcheng International, Baqiao District, Xi'an City, Shaanxi Province, the People's Republic of China	1,704,000,000	73.375%	1,250,000,000
	Group I Sub-total:	1,704,000,000		1,250,000,000
Group II – Property held by the Target Company for future development in the PRC				
2	Phase II of Daminggong Dongcheng International, Baqiao District, Xi'an City, Shaanxi Province, the People's Republic of China	111,000,000	73.375%	81,000,000
	Group II Sub-total:	111,000,000		81,000,000
	Grand Total:	**1,815,000,000**		**1,331,000,000**

VALUATION CERTIFICATE

Group I – Property held by the Target Company for investment in the PRC

	Property	Description and Tenure	Particular of Occupancy	Market Value in existing state as at 28 February 2015
1	Phase I of Daminggong Dongcheng International, Baqiao District, Xi'an City, Shaanxi Province, the People's Republic of China	Daminggong Dongcheng International (the "**Development**") is a commercial development which is being developed in phases on a land parcel with a site area of 58,698.32 sq.m.. The occupied site area for phase I is approximately 40,937 sq.m.. The Development is located in the eastern side of East Third Ring Road and western side of Banpo Road in Baqiao District of Xi'an. Developments in the vicinity are dominated by low to high rise estate type residential developments. It is about 40 minutes' drive to Xi'an Xianyang International Airport.	As at the date of valuation, portion of the property with a total leasable area of approximately 145,286.87 sq.m. was subject to 594 sets of tenancy agreement expiring between 9 March 2015 and 31 October 2023 at a total annual rental of approximately RMB23,669,044.19 exclusive of management fee and other outgoing expenses. (Please refer to Notes 4 and 9 to 10) The remaining portion of the property was vacant.	RMB1,704,000,000 (73.375% interest Attributable to the Target Company: RMB1,250,000,000)

Property	Description and Tenure	Particular of Occupancy	Market Value in existing state as at 28 February 2015
	The property comprises Phase I of the Development, East Daminggong (the "**East DMG**") which is a 7-storey commercial building plus 2 basement floors for wholesale and retail of building materials, home furniture and fixture as well as lighting and electrical appliances. It has a total gross floor area of approximately 189,992.56 sq.m. Basement 2/F provides 1,238 car parking spaces. Details of the uses and the gross floor area of the property are as follows:		

Use	Gross Floor Area *(approx.)* *(sq.m.)*
Underground Freezer Station	1,030.60
Underground Car Parking	34,173.14
Commercial	149,654.07
Others	5,134.75
Total:	**189,992.56**

As advised by the Group, the property was completed in April 2012.

The land use rights of the property have been granted for a term of 40 years expiring on 6 December 2052 for commercial and services use.

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract – Contract No. 27723 dated 7 November 2012, the land use rights of the land parcel with a site area of 58,698.32 sq.m. have been granted to Xian Sheng Tang Development Limited (西安盛唐投資發展股份有限公司) for a term of 40 years commencing on 7 December 2012 for commercial and services use at a land grant fee of RMB228,000,000.

(2) Pursuant to the Land Use Rights Certificate – Xi Fang Guo Yong (2013 Chu) Di No. 07 dated 2 April 2013, the land use rights of a parcel of land (Lot No. BQ3-4-11) with a site area of 58,698.32 sq.m. have been granted to Xian Sheng Tang Development Limited for a term expiring on 6 December 2052 for commercial and services use.

As shown in the development plan, the property comprises portion of the land parcel as stated in the Land Use Rights Certificate mentioned above.

(3) Pursuant to ten sets of Building Ownership Certificate all registered on 13 March 2014, the building ownership of the property with a total gross floor area of 189,992.56 sq.m. is vested in Xian Sheng Tang Development Limited for underground freezer station and car parking, commercial and others use. Details of the certificates are as follows:

Certificate No. (Xi An Shi Fang Quan Zheng Ba Qiao Qu Zi Di No.)	**Usage**	**Floor**	**Gross Floor Area** *(approx.)* *(sq.m.)*
1200108019-39-2-10000	Underground Freezer Station	–1	1,030.60
1200108019-39-1-1F201	Underground Car Parking	–2	34,173.14
1200108019-39-1-1F101	Commercial	–1	22,332.34
1200108019-39-1-10101	Commercial	1	20,708.64
1200108019-39-1-10201	Commercial	2	21,303.87
1200108019-39-1-10301	Commercial	3	21,312.91
1200108019-39-1-10401	Commercial	4	21,345.06
1200108019-39-1-10501	Commercial	5	21,345.06
1200108019-39-1-10601	Commercial	6	21,306.19
1200108019-39-1-10701	Others	7	5,134.75
	Total:		189,992.56

(4) Pursuant to a Building Management Contract dated 10 October 2011 entered into between Xian Sheng Tang Development Limited (the "assignor") and Ba Qiao (the "assignee") which are connected parties, the assignor appointed the assignee to carry out the internal and external design and decoration, installation of building services, greening, landscaping, future repairing and maintenance and property management services at the expenses of the assignee upon the handover of the structurally completed East DMG. The appointment term is for 10 years commencing from 1 May 2012 and expiring on 30 April 2022. It is further stated that potential tenants have to sign up two consecutive contracts simultaneously when agreement is reached including a tenancy agreement to the assignor and a management contract to the assignee respectively.

(5) Pursuant to a Mortgage Contract – No. 61100220140028895 dated 29 September 2014 entered into between Agricultural Bank of China Limited – Xi'an Fangyi Road Sub-branch (中國農業銀行股份有限公司－西安紡一路支行)(the "Mortgagee") and Xian Sheng Tang Development Limited (the "Mortgagor"), the seventh floor of the East DMG is pledged as security to guarantee the principal obligation for an amount of RMB15,000,000.

Pursuant to a Working Capital Loan Contract – No. 61010120140001902 dated 29 September 2014 entered into between Agricultural Bank of China Limited – Xi'an Fangyi Road Sub-branch (the "Lender") and Xian Sheng Tang Development Limited (the "Borrower"), the Borrower agreed to pledge the property to the Lender for a loan to an amount of RMB30,500,000 with a loan period of 1 year. The said loan is also guaranteed by the Xian Da Ming Gong Ba Qiao Furniture and Fixture Limited and Xian Sheng Tang Development Limited.

(6) Pursuant to a Mortgage Contract - Xi Hang Bei Di Zi [2014] Di No. 036 dated 30 September 2014 entered into between Bank of Xi'an Limited – Bei Lin Sub-branch (西安銀行股份有限公司－碑林支行)(the "Mortgagee") and Xian Sheng Tang Development Limited (the "Mortgagor"), portion of the East DMG including Basement First Floor to Fourth Floor are pledged as security to guarantee the principal obligation for an amount of RMB240,000,000.

Pursuant to a Pledge Contract (質押合同) – Xi Hang Bei Zhi Zi [2014] Di No. 036-1 dated 30 September 2014 entered into between Bank of Xi'an Limited – Bei Lin Sub-branch (the "Pledgee") and Xian Da Ming Gong Ba Qiao Furniture and Fixture Limited (the "Pledger"), the operating management fee income is also pledged as security for the loan.

Pursuant to a Pledge Contract – Xi Hang Bei Zhi Zi [2014] Di No. 036-2 dated 30 September 2014 entered into between Bank of Xi'an Limited – Bei Lin Sub-branch (the "Pledgee") and Xian Sheng Tang Development Limited (the "Pledger"), the rental income is also pledged as security for the loan.

Pursuant to a Loan Contract – Xi Hang Bei Gu Jie Zi [2014] Di No. 036 dated 30 September 2014 entered into between Bank of Xi'an Limited – Bei Lin Sub-branch(the "Lender"), Xian Da Ming Gong Ba Qiao Furniture and Fixture Limited (the "Borrower") and Xian Sheng Tang Development Limited (the "Guarantor"), the Borrower and Guarantor agreed to pledge the property to the Lender for a loan to an amount of RMB240,000,000 with a loan period of 8 year commencing from 20 October 2014 and expiring on 19 October 2022.

(7) Pursuant to a Notice of Consent to Change of Company Name (企業名稱變更核准通知書) – (Xi Gong Shang) Ming Cheng Bian Nei He Zi [2014] Di No. 000352 issued by Xi'an Administration for Industry and Commerce (西安市工商行政管理局) dated 23 September 2014, the name of Xian Sheng Tang Development Limited has been changed to Xi'an Tang Rong Real Estate Limited (西安唐榮置業有限公司).

(8) Pursuant to a copy of Business License – Registration No. 610100100293986 issued by Xi'an Administration for Industry and Commerce dated 20 November 2014, Xi'an Tang Rong Real Estate Limited was established with a registered capital of RMB320,000,000 as a limited company commencing from 23 April 2010.

(9) Pursuant to 594 sets of tenancy agreements entered into between Xian Sheng Tang Development Limited and various lessees, portion of the East DMG with a total leasable area of 145,286.87 sq.m. was subject to various leases expiring between 9 March 2015 and 31 October 2023 at a total annual rental of approximately RMB23,669,044.19 exclusive of management fee and other outgoing expenses.

(10) Pursuant to 594 sets of management contracts entered into between Xian Da Ming Gong Ba Qiao Furniture and Fixture Limited and various lessees, the total annual management fee for the leased portion of the East DMG was approximately RMB52,146,708.88. The said fee includes management fee, repairing and maintenance fee for car parking, fixture and building services, air-conditioning charge and marketing charge.

(11) In our valuation, we have assumed an average unit rate of about RMB12,300/sq.m. for commercial (Level 1), RMB5,200/sq.m. for ancillary office and RMB109,000 per car parking space respectively.

(12) In undertaking our valuation of the property, we have made reference to some asking price references of some commercial, office and car parking spaces development which have similar characteristics comparable to the property. The prices of those asking price references are about RMB13,000 to 16,400/sq.m. for commercial (Level 1), RMB5,500 to 6,500/sq.m. for ancillary office and RMB100,000 to 130,000 per car parking space. The unit rates assumed by us are consistent with the said asking price references. Due adjustments to the unit rates of those asking price, references have been made to reflect factors including but not limited to time, location, size and quality in arriving at the key assumption.

(13) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following information:

(i) Xi'an Tang Rong Real Estate Limited legally owns the property and is entitled to lease, transfer, mortgage and dispose of the property subject to the prior consent from the mortgagee;

(ii) The property is subject to two mortgages;

(iii) The tenancy agreements as mentioned in Note 9 are legal, valid and enforceable on the contractual parties;

(iv) The tenancy agreements as mentioned in Note 9 have not been registered. With reference to Section 1 of Article No. 14 of the Administration of the Leasing of Commodity Housing Procedures promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, the parties involved in the leasing of premises ought to register their tenancies within 30 days after the signing of the agreements to the local central-governed municipalities, municipalities and counties Real Estate Administration Departments. Article No. 19 also stipulates that the parties involved in the leasing of premises ought to alter, extend or withdraw the registration within 30 days in case their tenancies were altered, extended or withdrawn. Article No. 23 further stipulates that local central-governed municipalities, municipalities and counties Real Estate Administration Departments can demand the parties involved in the leasing of premises to rectify within a time limit in the event they are in breach of Section 1 of Article No. 14 of the Administration of the Leasing of Commodity Housing Procedures. In case the rectification is overdue, the parties involved in the leasing of premises are subject to a maximum penalty of RMB1,000 for individuals or RMB1,000 to RMB10,000 for organisations. However, according to the People's Republic of China Contract Law, the Explanatory Statements (1) about the Contract Law of the People's Republic of China and (2) Rules in relation to Adjudication of Tenancy Agreement Dispute on Town Housing promulgated by the Supreme People's Court of the People's Republic of China, non-registration of the contracts as obliged by the relevant laws and administrative rules will not annul the validity of the contracts. As such, non-registration of the tenancy agreement with the government will not influence the validity of the tenancy agreement; and

(v) Regarding the unauthorized structure that is utilized as warehouse, the local Ministry of Housing and Urban-Rural Development of the People's Republic of China (above County Administration Level) can order it to be demolished or relinquished or the income confiscated as a result generated by it in case the unauthorized structure cannot be pull down and is subject to a penalty to a maximum of 10% of the construction cost. In addition, Xian Tang Rong Real Estate Limited is subject to a penalty between 1% to 2% of the construction contract sum for not submitting and getting approval of the Construction Work Permit plus a penalty between 2% to 4% of the construction contract sum for not applying the completion and compliance permit. Yet, according to the Administrative Punishment Law of the People's Republic of China, Xian Tang Rong Real Estate Limited can be exempted from the above mentioned penalties in case it is demolished voluntarily and not being detected by the relevant government departments for two years since the date when the demolition work was completed.

VALUATION CERTIFICATE

Group II – Property held by the Target Company for future development in the PRC

	Property	Description and Tenure	Particular of Occupancy	Market Value in existing state as at 28 February 2015
2	Phase II of Daminggong Dongcheng International, Baqiao District, Xi'an City, Shaanxi Province, the People's Republic of China	Daminggong Dongcheng International (the "**Development**") is a commercial development which is being developed in phases on a land parcel with a site area of 58,698.32 sq.m.. Phase II comprises the remaining portion of the land parcel which is approximately 17,761 sq.m.. The proposed development includes shopping mall, ancillary apartments and car park. The maximum gross floor area of the property is approximately 119,365 sq.m. with the breakdown shown as follow: **Portion** / **Gross Floor Area** *(Approx.)* *(sq.m.)* Above-ground 98,250 Underground 21,115 **Total: 119,365** As advised by the Company, the construction of the property is targeted to commence on the second quarter of 2015 and complete on third quarter of 2016. The land use rights of the property have been granted for a term of 40 years expiring on 6 December 2052 for commercial and services use.	As at the date of valuation, the property was vacant.	RMB111,000,000 (73.375% interest Attributable to the Target Company: RMB81,000,000)

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract – Contract No. 27723 dated 7 November 2012, the land use rights of the land parcel with a site area of 58,698.32 sq.m. have been granted to Xian Sheng Tang Development Limited (西安盛唐投資發展股份有限公司) for a term of 40 years commencing on 7 December 2012 for commercial and services use at a land grant fee of RMB228,000,000.

(2) Pursuant to the Land Use Rights Certificate – Xi Fang Guo Yong (2013 Chu) Di No. 07 dated 2 April 2013, the land use rights of a parcel of land (Lot No. BQ3-4-11) with a site area of 58,698.32 sq.m. have been granted to Xian Sheng Tang Development Limited for a term expiring on 6 December 2052 for commercial and services use.

As shown in the development plan, the property comprises portion of the land parcel as stated in the Land Use Rights Certificate mentioned above.

(3) Pursuant to a Construction Land Planning Permit – Xi Gui Fang Di Zi Di No. 2013-01 issued by Xi'an City Planning Bureau (西安市規劃局) dated 10 January 2013, permission towards the planning of the land parcel with a total gross floor area for Phase I and II of approximately 309,357 sq.m. has been granted to Xian Sheng Tang Development Limited.

(4) Pursuant to a Notice of Consent to Change of Company Name (企業名稱變更核准通知書) – (Xi Gong Shang) Ming Cheng Bian Nei He Zi [2014] Di No. 000352 issued by Xi'an Administration for Industry and Commerce (西安市工商行政管理局) dated 23 September 2014, the name of Xian Sheng Tang Development Limited has been changed to Xi'an Tang Rong Real Estate Limited.

(5) Pursuant to a copy of Business License – Registration No. 610100100293986 issued by Xi'an Administration for Industry and Commerce dated 20 November 2014, Xi'an Tang Rong Real Estate Limited was established with a registered capital of RMB320,000,000 as a limited company commencing from 23 April 2010.

(6) As advised by the Company, the construction works has not been commenced as at the valuation date. The total estimated construction cost is approximately RMB292 million and the Company is expected to contribute to the total cost of construction proportionate to its ownership of the property in the amount of approximately RMB214 million.

(7) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:

(i) Xi'an Tang Rong Real Estate Limited legally owns the property and is entitled to lease, transfer, mortgage the land use rights;

(ii) Xi'an Tang Rong Real Estate Limited has obtained the Construction Land Planning Permit for the construction of the property; and

(iii) Xi'an Tang Rong Real Estate Limited has no legal impediment to obtain all relevant permits and approvals for the proposed development.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion (assuming no further Shares will be issued or repurchased between the Latest Practicable Date and the Completion Date) are and will be as follows:

	Number of Shares	**Amount** *HK$'000*
Authorised:	3,200,000,000	40,000
Issued and fully paid or credited as fully paid:		
– As at the Latest Practicable Date	2,283,666,869	28,546
– Consideration Shares to be issued to the Vendor	398,009,950	4,975
Immediately upon Completion	2,681,676,819	33,521

All the Shares currently in issue rank *pari passu* in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

As at the Latest Practicable Date, the Company has: (i) outstanding 7.5% convertible bonds due on 30 August 2015 in the principal amount of HK$300,000,000 which confers the right on its holder to convert into 400,000,000 new Shares at the conversion price of HK$0.75 per Share (subject to adjustments); (ii) outstanding 91,600,000, 15,000,000 and 4,000,000 share options exercisable into a total of 110,600,000 new Shares at the subscription prices of HK$0.58, HK$0.70 and HK$0.68 per Share respectively; and (iii) outstanding unlisted warrants exercisable into 35,000,000 new Shares at the subscription price of HK$2 per Share. Save as disclosed above, the Company did not have any outstanding options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Shares, underlying Shares and debentures of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in the Listing Rules were as follows:

Long positions in ordinary Shares

Name of Director	Number of Shares			Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Total	
Mr. Li Weibin	–	1,546,303,160 *(Note)*	1,546,303,160	67.71%

Note:

These shares are held by Wealth Keeper International Limited ("**Wealth Keeper**"), the entire issued share capital of which is wholly and beneficially owned by Mr. Li Weibin. Accordingly, Mr. Li Weibin is deemed to be interested in the entire 1,546,303,160 shares held by Wealth Keeper by virtue of the SFO.

Long positions in share options of the Company

Name of Directors	Capacity	Number of share options	Approximate percentage of the issued share capital of the Company
Mr. Li Weibin	Beneficial owner	8,600,000	0.38%
Mr. Siu Wai Yip	Beneficial owner	6,000,000	0.26%
Ms. Lam Suk Ling, Shirley	Beneficial owner	6,000,000	0.26%
Mr. Lau Chi Kit	Beneficial owner	4,000,000	0.18%
Ms. Fung Sau Mui	Beneficial owner	2,000,000	0.09%
Dr. Ho Chung Tai, Raymond	Beneficial owner	4,000,000	0.18%
Ms. Lai Ka Fung, May	Beneficial owner	2,000,000	0.09%
Ms. Chan Sim Ling, Irene	Beneficial owner	2,000,000	0.09%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group excluding contracts expiring or determinable by the Company or the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

(c) Substantial Shareholders' interests

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons or corporations (other than a Director or 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, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary Shares and underlying shares of the Company

Name of substantial Shareholder	Capacity	Number of ordinary Shares	Interest in underlying shares pursuant to the share option scheme of the Company	Total	Approximate percentage of the issued share capital of the Company
Wealth Keeper International Limited	Beneficial owner	1,546,303,160	–	1,546,303,160	67.71%
Ms. Cao Wei ("**Ms. Cao**")	Spouse interest	1,546,303,160 *(Note 1)*	8,600,000 *(Note 2)*	1,554,903,160	68.09%

Notes:

1. These shares are held by Wealth Keeper, the entire issued share capital of which is wholly and beneficially owned by Mr. Li Weibin, the spouse of Ms. Cao. Accordingly, Ms. Cao is deemed to be interested in the entire 1,546,303,160 shares held by Wealth Keeper by virtue of the SFO.

2. These underlying shares are held by Mr. Li Weibin, the spouse of Ms. Cao. Accordingly, Ms. Cao is deemed to be interested in the 8,600,000 underlying shares by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other person (not being a Director or the chief executive of the Company) had any interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, the subsisted contract of significance to which the Company, its holding company or its subsidiaries in which a Director had a material interest, whether directly or indirectly, were as follows:

(a) CLI Design Limited, a subsidiary of the Company entered into a tenancy agreement (the "**Tenancy Agreement**") with Golden Life Investment Limited ("**Golden Life**") on 28 November 2014 for the lease of Workshops Nos. 1 to 8, 19 to 21 on the 2nd Floor, of Decca Industrial Centre, 12 Kut Shing Street, Chai Wan, Hong Kong, with an aggregate gross floor area of about 6,149 square feet and Car Parking Space Nos. P9 and P10 on the Ground Floor of Decca Industrial Centre, 12 Kut Shing Street, Chai Wan, Hong Kong at a monthly rental of HK$71,500 and monthly building management fee of HK$9,876 for a term of three years from 1 December 2014 to 30 November 2017. The transaction pursuant to the Tenancy Agreement constituted continuing connected transactions under the Listing Rules as Ms. Fung Sau Mui, a non-executive Director, is one of the directors of Golden Life.

(b) 西安德萬通商業運營管理有限公司 (Xi'an Dewantong Commercial Operation and Management Company Limited*) (formerly known as 西安德通科技發展有限公司 (Xi'an Detong Scientific Development Company Limited*)) ("Dewantong"), of which Mr. Li Weibin, an executive Director, the Chairman of the Board, and the controlling shareholder of the Company ("Mr. Li Weibin"), indirectly holds 50% of Dewantong's equity interest, entered into financing guarantee and consultancy service contracts with 陝西普匯中金融資擔保有限公司 (Shaanxi Chinlink Financial Guarantee Limited*) ("Chinlink Finance"), an indirect wholly-owned subsidiary of the Company on 12 March 2015, pursuant to which Chinlink Finance agreed to provide financing guarantee services to the lending bank in favour of Dewantong in obtaining loan by the lending bank. Details are set out below:

	Contracts with Dewantong	**Guaranteed amount** *(RMB in million)*	**Approximate contract income** *(RMB in million)*	**Guarantee service period**
(1)	Financing guarantee services	10.000	0.250	12 March 2015 to 11 March 2016

(c) 陝西滾石新天地文化投資有限公司 (Shaanxi Gun Shi Xin Tian Di Cultural Investment Company Limited*) ("Gun Shi"), of which 68.13% of its equity interest is held by the relative of Mr. Li Weibin; and 31.87% of the equity interest of Gun Shi is owned by 西安浩華置業有限公司 (Xi'an Hao Hua Zhi Ye Company Limited*) ("Hao Hua"), that 20% of the equity of interest Hao Hua is owned directly and 40% equity interest Hao Hua is owned indirectly by Mr. Li Weibin, entered into financing guarantee and consultancy service contracts with Chinlink Finance, on 9 March 2015 and 12 March 2015. Pursuant to which Chinlink Finance agreed to provide financing guarantee and consultancy services to the lending banks in favour of Gun Shi in obtaining loans by the lending banks. Details are set out below:

Contracts with Gun Shi		**Guaranteed amount** *(RMB in million)*	**Approximate contract income** *(RMB in million)*	**Guarantee service period**
(1)	Financing guarantee services (I)	8.000	0.200	9 March 2015 to 6 March 2016
(2)	Financing guarantee services (II)	7.000	0.175	12 March 2015 to 11 March 2016
(3)	Consultancy service	Not applicable	0.315	12 March 2015 to 11 March 2016

Subject to the effective of the early termination agreements and supplemental agreement entered between Gun Shi and Chinlink Finance (as announced by the Company on 24 March 2015), the abovementioned financing guarantee services (II) and the consultancy service will be terminated; and the guaranteed amount for the abovementioned financing guarantee services (I) will be decreased to RMB4.5 million and the contract income will be decreased accordingly.

(d) 西安匯景倬元信息技術有限公司 (Xi'an Hui Jing Zhuo Yuan Information Technology Company Limited*) ("Zhuo Yuan"), of which 55% of its equity interest is held by the relatives of Mr. Li Weibin; Also, the legal representative of Zhuo Yuan is Ms. Sun, who is also one of the beneficial owners of Zhuo Yuan and a relative of Mr. Li Weibin, entered into financing guarantee and consultancy service contracts with Chinlink Finance, on 25 November 2014. Pursuant to which Chinlink Finance agreed to provide financing guarantee and consultancy services to the lending bank in favour of Zhuo Yuan in obtaining loan by the lending bank. Details are set out below:

Contracts with Zhuo Yuan	**Guaranteed amount** *(RMB in million)*	**Approximate contract income** *(RMB in million)*	**Guarantee service period**
(1) Financing guarantee services	14.000	0.420	25 November 2014 to 25 November 2015
(2) Consultancy service	Not applicable	0.702	25 November 2014 to 25 November 2015

Save as disclosed above, no contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any interest, either directly or indirectly, in any asset which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as is known to the Directors, none of the Directors or their associates had any business or interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

6. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the logistics information system platform development and services agreement dated 14 May 2013 ("**Service Agreement**") entered into between Chinlink Hong Kong Company Limited, and Hong Kong Logistics Technology & Systems Limited, in relation to the development of a logistics information system platform at a contract sum of HK$13,217,000.

(b) the placing agreement dated 10 June 2013 entered between the Company and Emperor Securities Limited in relation to the placing of bonds with warrants in an aggregate principal amount of HK$190,450,000;

(c) the placing agreement dated 10 June 2013 entered between the Company and Emperor Securities Limited in relation to the placing of convertible bonds in an aggregate principal amount of HK$300,000,000;

(d) the subscription agreement dated 28 April 2014 entered into between the Company and Wealth Keeper International Limited in relation to the subscription for 350,000,000 new Shares at subscription price of HK$0.55 per Share.

(e) the placing agreement dated 10 March 2014 entered into between the Company and UOB Kay Hian (Hong Kong) Limited in relation to the placing of a maximum of 35,000,000 warrants conferring rights to subscribe for 35,000,000 warrant shares of HK$0.0125 each in the Capital of the Company at exercise price of HK$2.00 per warrant share;

(f) the supplemental agreement to the Service Agreement dated 30 July 2014 in relation to the change of contract sum to HK$6,765,000;

(g) the land use rights transfer contracts dated 19 June 2014 entered into between Chinlink International Trade Centre (Hanzhong) Company Limited and Hanzhong Land Bureau in relation to the transfer of the Land Use Rights.

(h) the placing agreement dated 1 September 2014 entered into between the Company and Emperor Securities Limited in relation to the placing of 8% coupon unsecured bonds in an aggregate principal amount up to HK$300,000,000; and

(i) the S&P Agreement and the supplemental agreement to the S&P Agreement dated 30 April 2015 to the S&P Agreement.

7. LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

8. EXPERTS' QUALIFICATION AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given their opinion or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified public accountants
Ascent Partners Valuation Service Limited ("**Ascent Partners**")	Independent valuer

Deloitte and Ascent Partners have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter and report (as the case may be) and references to their name, in the form and context in which they appear.

As at the Latest Practicable Date, Deloitte and Ascent Partners:

(i) were not beneficially interested in the share capital of any member of the Enlarged Group;

(ii) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; and

(iii) did not have any interest, either directly or indirectly, in any asset which had been acquired or disposed of by or leased to any member of the Enlarged Group or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m.) at the head office and principal place of business of the Company at 7/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on any Business Day up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 March 2013 and 2014;

(c) the interim report of the Company for the six months ended 30 September 2014;

(d) the accountants' reports issued by Deloitte on E-Innovation Group, Tang Rang and Ba Qiao, the text of which are set out in appendix II of this circular;

(e) the accountants' report issued by Deloitte in connection with the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in appendix V to this circular;

(f) the valuation report issued by Ascent Partners on the Property, the text of which is set out in appendix VI of this circular;

(g) the consent letters issued by Deloitte and Ascent Partners referred to in the paragraph headed "Experts' qualification and consents" in this appendix;

(h) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(i) this circular.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Lam Suk Ling, Shirley, who is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is situated at 7/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED
普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 997)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Chinlink International Holdings Limited (the "**Company**") will be held at 7/F, Two Exchange Square, 8 Connaught Place Central, Hong Kong on Thursday, 21 May 2015 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as resolution of the Company. Capitalized terms used herein without definition shall have the same meanings as in the circular issued by the Company on 6 May 2015 (the "**Circular**"), unless the context otherwise requires:

ORDINARY RESOLUTION

1. "**THAT:**

   (a) the sale and purchase agreement dated 18 February 2015 entered into between Esteemed Zone Limited as purchaser, Sino Virtue Holdings Limited as vendor (the "**Vendor**"), Mr. Li Chi Yung and Mr. Kwan Ka Shing as guarantors (as supplemented by the supplemental agreement dated 30 April 2015) (the "**S&P Agreement**") in relation to the acquisition of the entire issued share capital of E-Innovation Limited (the "**Target Company**") and the Sale Loan at a consideration of HK$800,000,000 (a copy of the S&P Agreement has been produced to the meeting and marked "A" and initialed by the Chairman of the meeting for the purpose of identification), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

   (b) subject to completion of the transactions contemplated under the S&P Agreement and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such Consideration Shares (as defined below), the directors of the Company (the "**Directors**") be and are hereby specifically authorised to allot and issue a maximum of 398,009,950 ordinary shares of the Company ("**Consideration**

* *For identification purpose only*

Shares") to the Vendor (or its nominee) in accordance with the terms and conditions of the S&P Agreement and THAT such specific mandate shall be in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 26 September 2014 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this resolution;

(c) subject to completion of the transactions contemplated under the S&P Agreement and subject to the fulfillment of the guarantees on the net asset value of the Target Company and its subsidiaries as set out in the S&P Agreement by the Vendor, the Directors be and are hereby specifically authorized to issue the twelve (12) per cent. interest 5-year bonds in an aggregate principal amount of not more than HK$120,000,000 (the "**Bonds**") to the Vendors (or their nominees) in accordance with the terms and conditions under the S&P Agreement;

(d) any one of the directors of the Company be and is hereby authorised to do all such acts and things and sign, agree, ratify or execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the S&P Agreement and any of the transactions contemplated thereunder."

By Order of the Board
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

Hong Kong, 6 May 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
7/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Notes:

(1) A form of proxy for use at the Meeting has been dispatched to the Shareholders together with a copy of this notice.

(2) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend the Meeting and vote on his behalf. A proxy need not be a member of the Company but must attend the Meeting in person to represent the member of the Company.

(3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person authorized to sign the same.

(4) In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote.

(5) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(6) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(7) Any voting at the Meeting shall be taken by poll.