



Lifestyle

Properties Development Limited

利福地產發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2183

SHARE OFFER

Joint Global Coordinators, Joint Sponsors,
Joint Bookrunners and Joint Lead Managers



BNP PARIBAS
CORPORATE & INVESTMENT BANKING



PLATINUM
Securities

IMPORTANT

If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



Lifestyle Properties Development Limited

利福地產發展有限公司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	83,600,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	8,360,000 Shares (subject to adjustment)
Number of Placing Shares	:	75,240,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	not more than HK\$2.43 per Offer Share and expected to be not less than HK\$1.80 per Offer Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
Nominal Value	:	HK\$0.10 per Share
Stock Code	:	2183

Joint Global Coordinators, Joint Sponsors, Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified under "Appendix VII — Documents delivered to the Registrar of Companies and available for inspection" to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies of Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is currently expected to be fixed by an agreement between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Thursday, 5 September 2013, or such later date as may be agreed between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) but in any event not later than 6:00 p.m. (Hong Kong time) on Friday, 6 September 2013. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on Thursday, 5 September 2013 (or such later time and/or date as agreed by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) but in any event not later than 6:00 p.m. (Hong Kong time) on Friday, 6 September 2013), the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by the Company on the Stock Exchange website and the Company's website at www.lifestyleproperties.com.hk. The Offer Price will not be more than HK\$2.43 per Share and is expected to be not less than HK\$1.80 per Share. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Offer Price range will be published on the Stock Exchange website and the Company's website at www.lifestyleproperties.com.hk. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

Prospective investors of the Share Offer should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to the Company given by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set out under "Underwriting — Underwriting arrangements and expenses — Grounds for termination" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate their obligations under the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not proceed and will lapse.

2 September 2013

EXPECTED TIMETABLE

The Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) if there is any change in the following expected timetable of the Share Offer.

2013
(Note 1)

Latest time to complete electronic applications through the White Form eIPO service through the designated website at www.eipo.com.hk (note 2)	11:30 a.m. on Thursday, 5 September
Application lists of the Public Offer open (note 3)	11:45 a.m. on Thursday, 5 September
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC (note 4)	12:00 noon on Thursday, 5 September
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 5 September
Application lists of the Public Offer close (note 3)	12:00 noon on Thursday, 5 September
Expected Price Determination Date	Thursday, 5 September
Announcement of the Offer Price, the level of applications of the Public Offer, the level of indication of interest in the Placing, and the basis of allocation of the Offer Shares under the Public Offer to be published (a) in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and (b) on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.lifestyleproperties.com.hk (note 5)	Wednesday, 11 September
Results of allocation in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares — Publication of results" in this prospectus from	Wednesday, 11 September
Results of allocations in the Public Offer will be available at www.iporesults.com.hk with a "search by ID" function from	Wednesday, 11 September

EXPECTED TIMETABLE

2013
(Note 1)

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and to Parentco Qualifying Shareholders who are entitled to receive Shares under the Distribution on or before (notes 6 to 10) Wednesday, 11 September

Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before (notes 5, 7 to 10). Wednesday, 11 September

Dealings in Shares on the Main Board expected to commence on Thursday, 12 September

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) An applicant will not be permitted to submit his application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If the applicant has already submitted his application and obtained an application reference number from the designated website prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight (8) or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 September 2013, the application lists will not open or close on that day. Further information is set out in the section headed “How to apply for the Public Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Thursday, 5 September 2013, the dates mentioned in this “Expected Timetable” may be affected. An announcement will be made by the Company in such event.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (6) Share certificates for the Public Offer Shares and the Shares to be distributed under the Distribution will become valid certificates of title at 8:00 a.m. on Thursday, 12 September 2013 provided that (i) the Share Offer has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Share Offer will not proceed and the Distribution will not be made.
- (7) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their applications that they wish to collect any refund cheque(s) and/or Share certificate(s) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 September 2013.

EXPECTED TIMETABLE

Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection.

- (8) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (7) above.
- (9) For applicants who have applied through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment account in the form of e-Refund payment instructions on Wednesday, 11 September 2013. For applicants who have applied through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on Wednesday, 11 September 2013 by ordinary post at their own risk. Please refer to the section headed "How to apply for the Public Offer Shares — Despatch/Collection of Share certificates and refund monies" in this prospectus for details.
- (10) Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in the section headed "How to apply for the Public Offer Shares — Despatch/Collection of Share certificates and refund monies" in this prospectus.

For details of the structure of the Share Offer, including the conditions thereof, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

CONTENTS

The Company has not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by the Company, the Joint Sponsors, any of their respective Directors or any other person or party involved in the Share Offer.

	<i>Page</i>
Expected timetable	i
Contents	iv
Summary	1
Definitions	13
Glossary	28
Risk factors	29
Waiver from strict compliance with the Listing Rules	52
Information about this prospectus and the Share Offer	53
Directors and parties involved in the Share Offer	57
Corporate information	60
Industry overview	62
Regulatory overview	72
History and development	83
Reorganisation	93
The Spin-off and Distribution	101
Business	104
Directors, senior management and staff	151
Relationship with the Controlling Shareholder	165
Continuing connected transactions	184
Substantial shareholders	195

CONTENTS

	<i>Page</i>
Share capital	198
Financial information	200
Future plans and use of proceeds	260
Underwriting	261
Structure and conditions of the Share Offer	271
How to apply for the Public Offer Shares	280
Appendices	
Appendix I — Accountants' report	I-1
Appendix II — Unaudited pro forma financial information	II-1
Appendix III — Property valuation	III-1
Appendix IV — Summary of principal PRC legal and regulatory provisions	IV-1
Appendix V — Summary of the constitution of the Company and Cayman Islands company law	V-1
Appendix VI — Statutory and general information	VI-1
Appendix VII — Documents delivered to the Registrar of Companies and available for inspection	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole document before you decide to invest in the Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

The Group is principally engaged in property development and property investment with the main objective of generating return through capital appreciation, including subsequent disposal of the properties concerned. The Group endeavours to enhance its income and the capital value of its properties through a range of different approaches after assessing the conditions of such properties at acquisition. Generally, the Group will continue to develop those properties which are under development and will renovate those completed properties to enhance their capital value further. In addition, the Group will lease the properties out when a reasonable rental income can be generated from such properties. The business model of the Group is not only buying and holding properties for rental income and/or short term capital gain, but also carrying out value-added work or activities to enhance further the capital value of the properties before they are leased out or sold. In order to maximise the return on the properties, either in the form of capital appreciation or increased rental, management of the Company has been making active efforts throughout the Track Record Period to carry out value-added work on the properties (including construction, redesign and renovation) and making appropriate and timely decisions for disposing of or leasing out the properties. As the Group's main objective is to achieve capital appreciation, the Group may sell its properties at various levels or stages of development, should opportunities arise. The management of the Company is of the view that, under present business and operating conditions, the Group is inclined to seek maximum return through capital gains, rather than recurring income in the form of rental.

For the three years ended 31 December 2012 and the six months ended 30 June 2013, the rental income of the Group (generated from Tianjin Property before it was disposed of by the Group in April 2013) was approximately HK\$1.4 million, HK\$15.0 million, HK\$20.8 million and HK\$4.5 million respectively. During the same period, the Group recorded a net profit of approximately HK\$20.2 million, HK\$148.2 million, HK\$94.2 million and HK\$78.5 million respectively, which was mainly attributable to fair value changes on investment properties, realised gain on disposal of investment property holding subsidiaries and/or foreign exchange gain. Although the Group ceased to record any rental income after the disposal of Tianjin Property Company, such rental income was not the core profit driver of the Group during the Track Record Period. During the Track Record Period, the contribution to the profits of the Group from capital appreciation, both realised and unrealised, was much higher than that from rental income. Consistent with the business model of the Group, the profitability of the Group is currently based on capital appreciation to a larger extent and recurring rental income to a lesser extent.

All of the properties held by the Group as at the Latest Practicable Date were for commercial use or non-residential use. While it is the Company's intention to focus on this area, it also intends to look for suitable development opportunities which may include residential elements. The Group's management team has experience in developing both commercial and residential properties.

SUMMARY

THE GROUP'S PROPERTY PORTFOLIO

The table below sets forth the GFA and other information of the Group's property or property related interests as at the Latest Practicable Date.

	GFA (in sq.m.)	Percentage interest attributable to the Group (%)	Attributable capital value as at 30 June 2013 as estimated by CBRE (HK\$ in million)	Date of acquisition	Condition
Investment properties					
Harbin Property	10,090	100	347.1	May 2008	Vacant property
Qingdao Property	26,507	100	318.6	May 2008	Vacant property
Certain workshops and car parking spaces in HKIC	941	100	40.7	July 2009	Vacant property
Financial assets at fair value through profit or loss					
Sun Plaza	99,858	10	N/A	December 2009	Under construction
Prepaid lease payments represented by interest in Yifu Land	N/A	100	750.2 or 585.9 (Note 1)	December 2011	Vacant land

Notes:

- On the assumption that the height-limit restriction of Yifu Land were to be 30 metres or 15 metres, and provided that the Group had obtained land use rights certificate, the capital value of Yifu Land is estimated to be approximately HK\$750.2 million or HK\$585.9 million respectively. See Appendix III "Property Valuation" to this prospectus. Its carrying value as prepaid lease payments recorded in the Group's statements of financial positions as at 30 June 2013 is approximately HK\$695.9 million.
- Tianjin Property is not shown in the above table as disposal of the Group's equity interest in Tianjin Property Company (which held Tianjin Property) was completed on 25 April 2013. Please refer to the section headed "Business — Property and property related interests — Properties disposed in April 2013 — Tianjin Property" of this prospectus for further details of the disposal.

Harbin Property (investment property in the PRC, which is pending issue of property ownership certificate) and Qingdao Property (investment property in the PRC, which is generally not occupied)

Harbin Property and Qingdao Property are currently vacant (other than a portion on the top floor of the Qingdao Property which is occupied by the Group as its office in Qingdao) and are held for investment purpose. Construction work of Harbin Property commissioned and monitored by the Group was completed and the related completion inspection is expected to be consummated in the second half of 2013. The related property ownership certificate is also expected to be issued in the same period. Qingdao Property is ready for disposal anytime when offers with attractive terms are received. No turnover was generated from Qingdao Property and Harbin Property during the Track Record Period.

Certain workshops and car parking spaces in Hong Kong (investment properties in Hong Kong)

From 2010 and up to the Latest Practicable Date, the Group disposed of seven workshops and four car parking spaces in HKIC and a car parking space in Harbour Centre. It currently owns six workshops and two car parking spaces in HKIC.

Sun Plaza (financial assets in which the Group has 10% attributable interest only)

In 2011, the Group disposed of 90% equity interest in Shenyang Jiajian (which holds Sun Plaza) to an Independent Third Party, and the Group currently owns 10% attributable interest in Sun Plaza through Shenyang Jiajian. While Sun Plaza is still under construction, a permit for pre-sale had been obtained from the relevant PRC authorities and the pre-sale has commenced as at the Latest Practicable Date.

SUMMARY

Yifu Land (non-current assets classified as prepaid lease payments)

The Group's interest in Yifu Land is being recorded in the statements of financial position of the Group as prepaid lease payments (under non-current assets), which represent payment of land grant fee and deed tax for Yifu Land. Yifu Land is currently vacant and the Group plans to develop a commercial complex on Yifu Land. Please refer to the section headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land" of this prospectus for further details of the development in this regard.

Applicable height limit

It was the Group's understanding that the development of Yifu Land was subject to a 30-metre height limit during the process when the Yifu Land Grant Contract was concluded. During the preliminary communication with competent local governmental authorities for the preparation for application of the Planning Permit for Construction Land (建設用地規劃許可證) in August 2012, the Group learnt from a planning drawing of Yifu Land made available to the Group by the Shenyang Planning and Design Institution that the development of the Yifu Land may be subject to a 15-metre height limit. Thereafter, the Group took steps to seek clarifications with the relevant government departments. The Group received a letter dated 19 April 2013 from Shenhe District Government indicating that the planning standard shall remain the same as that applicable at the time of grant of Yifu Land, i.e. at a height not exceeding 30 metres. The Group further received a letter from Construction Management Office (建設工程管理處) of Shenyang Planning & Land Bureau dated 8 May 2013 confirming that the planning design scheme of Haiyanli-1 commercial project (海堰里地區-1地塊商業項目) (i.e. the development project on Yifu Land) with a construction height of 29.9 metres had been preliminarily agreed by Shenyang Planning & Land Bureau, and the Group was requested to submit an alternative design scheme prepared based on comments given by the expert team (as organised by the said bureau) on the construction style, after which Shenyang Planning & Land Bureau will consider granting further approval in accordance with municipal government's review opinion. In late July 2013, the Group submitted the alternative design scheme to Shenyang Planning & Land Bureau for review. A meeting with the expert team (organised by the said Bureau) was held on 8 August 2013 to discuss about such alternative design scheme. During the meeting, the expert team and representatives of the Shenhe District Government and the Shenyang Planning & Land Bureau, after listening to the Group's presentation, all indicated that they considered such alternative design to be generally acceptable with no further comments. Shenyang Planning & Land Bureau indicated that they would complete the approval procedures as soon as possible. As at the Latest Practicable Date, the Group had not yet received the final approval on the planning design scheme. Although the Directors consider that the likelihood of reducing the height limit from 30 metres to 15 metres is relatively low, the Group has prepared two master layout plans (whose construction cost budgets were reviewed by a qualified quantity surveyor firm experienced in quantity survey of construction and property development industry in the PRC and Hong Kong) as set out below for developing Yifu Land:

Height limit	Layout description	GFA	Phases	Estimated cost
30-metre	8-storey commercial complex with a three-level basement	Total: ~188,252 sq.m.	Phase I:	RMB1.46 billion (~HK\$1.8 billion)
		— Retail: ~82,767 sq.m.	~92,965 sq.m.	
		— Office: ~32,463 sq.m.	Phase II:	
		— Car parking spaces and facilities: ~73,022 sq.m.	~95,287 sq.m.	
15-metre	4-storey commercial complex with a three-level basement	Total: ~153,904 sq.m.	Phase I:	RMB1.24 billion (~HK\$1.6 billion)
		— Retail: ~63,439 sq.m.	~77,231 sq.m.	
		— Office: ~20,751 sq.m.	Phase II:	
		— Car parking spaces and facilities: ~69,714 sq.m.	~76,673 sq.m.	

SUMMARY

Expected source of funding

The expected source of funding from the third quarter of 2013 to the third quarter of 2015 for the Yifu Land project would be the Group's internal financial resources, proceeds from the Share Offer and proceeds from disposal of its investment properties (i.e. the remaining proceeds from the disposal of the Tianjin Property Company and (if the disposal materialises) the proceeds from the planned disposal of Harbin Property expected to be received by no later than the second quarter of 2014). The expected major source of funding for the period from the fourth quarter of 2015 to the fourth quarter of 2017 would be proceeds from pre-sale of properties under the development on Yifu Land. The relevant pre-sale permits from the relevant authorities are expected to be issued by around the second or third quarter of 2015. Based on the above, the Directors consider that the Group has sufficient working capital to develop the project on Yifu Land. Please see the section headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land" of this prospectus for further details of the estimated development cost and source of funding for the development on Yifu Land.

Feasibility

While other properties within the Group's property portfolio are ready to be disposed of, the Yifu Land remains the only project of the Group for development, before any new site or property is identified and added to the Group's property portfolio. Accordingly, the Group plans to deploy majority of its financial resources (including proceeds from the disposal of its investment properties and proceeds from the Share Offer) in developing Yifu Land in the next few years. The Directors expect that the Yifu Land project will be profitable (whether under the 30-metre or 15-metre plan) having considered the estimated revenue and related costs. Although the Group itself had limited experience in developing a property from vacant land, the Company considers that its management team members who have an average of approximately 10 years of experience in commercial and residential property development are experienced in property development in the PRC. Having considered the experience of the above management team members as disclosed in the section headed "Business — Property acquisition and development — Management team's experience in undertaking property development projects" of this prospectus and the expected source of funding for the development of Yifu Land as disclosed in the section headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land" of this prospectus, the Directors consider that the development plan on Yifu Land is feasible.

Please refer to the sections headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land" for further details of both the 15-metre and 30-metre development plans on Yifu Land and "Risk factors — Risks relating to the Group's business — The zoning and the related planning criteria as prescribed by relevant PRC authority for Yifu Land may be subject to changes" for further details of the risk factor respectively.

Tianjin Property (investment property in the PRC during the Track Record Period, disposed of by the Group in April 2013)

The Group acquired interest in Tianjin Property in May 2008. After the acquisition, the Group renovated the property and changed its layout for rental purpose. After completion of the renovation in 2010, the Group leased out the property to generate rental income, as the Group considered that its then market value could not be fully reflected after the financial crisis and could be further enhanced when pedestrian flow was built up. In April 2013, the Group disposed of its entire interest in the Tianjin Property Company.

The table below sets out the information in relation to the Group's rental income, which was generated from Tianjin Property entirely, during the Track Record Period.

	For the year ended 31 December			For the six months ended 30 June	
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Rental income from a connected person	172	1,994	3,406	1,656	1,475
Rental income from Independent Third Parties	<u>1,252</u>	<u>12,956</u>	<u>17,403</u>	<u>7,008</u>	<u>3,015</u>
Total rental income	<u><u>1,424</u></u>	<u><u>14,950</u></u>	<u><u>20,809</u></u>	<u><u>8,664</u></u>	<u><u>4,490</u></u>
Rental yield ^(Note 1)	3.5% ^(Note 2)	3.2%	3.2%	N/A	N/A

SUMMARY

Notes:

1. Rental yield is calculated on the basis of the annual rental income divided by the value of the property as at the end of the relevant year.
2. For the purpose of calculating the rental yield of 2010, since the Group recorded rental income in December 2010 only, the annual rental income of 2010 was annualised.

As at 31 December 2011 and 31 December 2012, the occupancy rate of Tianjin Property, which is calculated based on the leased area of the date indicated divided by the total lettable GFA, was approximately 81.7% and 64.3% respectively.

Fair value changes during the Track Record Period

The table below sets out the breakdown of the fair value changes on the Group's investment properties during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
				(unaudited)	
Tianjin Property — unrealised gain/(loss)	1,818	(52,014)	167,207	459	—
— realised gain	—	—	—	—	56,916
Harbin Property — unrealised gain	6,115	107,463	6,034	842	367
Qingdao Property — unrealised gain	5,405	26,210	4,782	214	1,130
Sun Plaza — unrealised gain	41,997	—	—	—	—
— realised gain	—	225,262 ^(Note)	—	—	—
Certain workshops and car parking spaces in Hong Kong					
— unrealised gain	6,691	12,758	4,899	2,850	4,800
— realised gain	1,128	1,564	1,498	339	—
Total fair value gain on investment properties	<u>63,154</u>	<u>321,243</u>	<u>184,420</u>	<u>4,704</u>	<u>63,213</u>
Profit/(loss) for the year/period attributable to owners of the Company	20,207	148,169	94,191	(13,270)	78,495
% of fair value gain to profit/(loss) for the year/period attributable to owners of the Company	312.5%	216.8%	195.8%	(35.4)%	80.5%

Note: The Group disposed of 90% equity interest in Shenyang Jiajian (which held Sun Plaza) in June 2011 and recorded a realised gain on disposal of interest in subsidiary of approximately HK\$225.3 million.

During the Track Record Period, the fair value gain on the Group's investment properties was approximately HK\$63.2 million, HK\$321.2 million, HK\$184.4 million and HK\$63.2 million respectively. The increase in the fair value gain in 2011 comparing to that in 2010 was mainly due to the increase in fair value gain from Harbin Property and realised gain on the disposal of 90% equity interest in Shenyang Jiajian (which held Sun Plaza) in 2011 despite the fair value loss attributable to Tianjin Property. The decrease in fair value gain by approximately 42.6% from approximately HK\$321.2 million in 2011 to approximately HK\$184.4 million in 2012 was mainly due to the absence of a similar realised gain in respect of the disposal of 90% equity interest in Shenyang Jiajian as recorded in 2011 and the investment properties of the Group (other than Tianjin Property) did not have a significant fair value gain in 2012. The increase in the fair value gain in the first half of 2013 comparing to that in the same period of 2012 was mainly due to the realised gain on disposal of the Tianjin Property Company (which held Tianjin Property) in April 2013.

SUMMARY

The following table illustrates the sensitivity of net profit attributable to the Group's equity owners to levels of revaluation increase/decrease on investment properties for the three years ended 31 December 2012 and the six months ended 30 June 2013:

% change in fair value of investment properties	-15%	-10%	-5%	5%	10%	15%
For the six months ended 30 June 2013						
Impact on net profit to the Group's equity owners for the six months ended 30 June 2013 (HK\$ in million)	(54.1)	(34.8)	(17.0)	17.0	34.1	51.1
% of total net profit to the Group's equity owners	-68.9%	-44.3%	-21.7%	21.7%	43.4%	65.1%
2012						
Impact on net profit to the Group's equity owners for 2012 (HK\$ in million)	(98.2)	(64.4)	(31.8)	31.8	63.4	93.0
% of total net profit to the Group's equity owners	-104.3%	-68.4%	-33.7%	33.7%	67.3%	98.7%
2011						
Impact on net profit to the Group's equity owners for 2011 (HK\$ in million)	(152.6)	(101.0)	(50.5)	49.7	99.2	148.7
% of total net profit to the Group's equity owners	-103.0%	-68.2%	-34.1%	33.5%	66.9%	100.3%
2010						
Impact on net profit to the Group's equity owners for 2010 (HK\$ in million)	(142.8)	(93.2)	(46.4)	46.4	91.5	135.9
% of total net profit to the Group's equity owners	-706.5%	-461.4%	-229.7%	229.7%	452.7%	672.5%

During the Track Record Period, being a property investment and property development company holding properties for capital appreciation and further development, the Group's profit relied heavily on the fair value gain on its investment properties. There is no assurance that the Group will not record revaluation deficits which may adversely affect its profit in the future. Please see the section headed "Risk Factors — Risks relating to the Group's business — The Group may record loss in the future arising from property revaluation" of this prospectus for further details.

THE SPIN-OFF AND DISTRIBUTION

On 13 November 2012, Parentco announced that on 10 August 2012 it had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Spin-off and that the Stock Exchange had confirmed that Parentco may proceed with the Spin-off. The Spin-off serves the purpose of differentiating Parentco as the holding company of a retail group and the Company as the holding company of a property group, and will improve the operational and financial transparency of the Group and provide investors, the market and rating agencies with greater clarity on the respective business and financial focus of the Remaining Parentco Group and the Group, in particular enabling them to be seen separately as retail operator and property company respectively. The reduction of Parentco's shareholding interest in the Company following completion of the Spin-off constitutes a discloseable transaction of Parentco under the Listing Rules and accordingly no shareholders' approval of Parentco is required for the Spin-off.

As part of the Spin-off, the board of directors of Parentco conditionally approved the Distribution on 29 July 2013, under which each Parentco Qualifying Shareholder or Parentco Excluded Shareholder will be entitled to one Share or equivalent cash payment (after deducting expenses) (as appropriate) for every 20 Parentco Shares held as at the close of business on the Distribution Record Date. Based on the issued share capital of Parentco on the Distribution Record Date, to effect the Distribution, subject to the Share Offer becoming unconditional in all respects, a total of 82,588,800 Shares, representing approximately 24.86% of the entire issued share capital of the Company immediately before completion of the Share Offer, will be distributed under the Distribution. Immediately following such Distribution, Parentco will hold 249,611,200 Shares, representing (i) approximately 75.14% of the entire issued share capital of the Company immediately before completion of the Share Offer and (ii) approximately 60.03% of the entire issued share capital of the Company as enlarged by the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

SUMMARY

Please refer to the section headed “The Spin-off and Distribution” of this prospectus for further details.

COMPETITIVE STRENGTHS

The Group considers that it has the following competitive strengths which may allow the Group to compete effectively and pursue further growth in the property market:

- Prime locations of the Group’s properties
- Leveraging on Parentco’s well-established footsteps in its department store operation to attain and capture future property investment opportunities
- Experienced management team

BUSINESS STRATEGIES

The Group intends to focus on the following strategies:

- To continue developing its existing property portfolio
- To formulate and implement plans to enhance growth in return and capital value
- To continue to look for commercial property development projects and also development projects with residential elements

REGULATORY DEVELOPMENT IN THE PRC PROPERTY INDUSTRY

In recent years, the regulatory authorities in the PRC have introduced certain laws and regulations in relation to the PRC property market including land acquisition, demolition and removal, idle land, leases of building, property financing, mortgage and guarantee, sales/pre-sales of commodity buildings and ability to obtain offshore financing. Pursuant to the policy measures formulated by the State Council executive meeting on 20 February 2013 for strengthening the regulation on real estate market, the PRC government has promulgated its latest policy to take measures to deter real estate purchase of speculative nature, to increase supply of ordinary commodity housing and land, to speed up the planning and construction of affordable housing projects, as well as to strengthen the real estate market supervision. For further details of the new policy measures, please refer to the section headed “Regulatory overview — Regulatory overview of the PRC property industry” of this prospectus. The new policy measures are mainly aimed at regulating residential property market, and as the existing properties or project of the Group are commercial properties, the Directors believe that such new policy measures will not have a significant impact on the business and operations of the Group.

SUMMARY FINANCIAL INFORMATION

The following tables present summary financial information for the three years ended 31 December 2012 and the six months ended 30 June 2013. They should be read in conjunction with the Group’s financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

Highlight of combined statements of profit or loss and other comprehensive income of the Group

	For the year ended 31 December			For the six months ended 30 June	
	2010 HK\$’000	2011 HK\$’000	2012 HK\$’000	2012 HK\$’000 (unaudited)	2013 HK\$’000
Turnover	1,424	14,950	20,809	8,664	4,490
Profit/(loss) for the year/period attributable to owners of the Company	20,207	148,169	94,191	(13,270)	78,495

SUMMARY

Highlight of statements of financial positions of the Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	2,279,061	1,846,580	1,379,120	1,412,510
Total current assets	202,909	131,369	785,363	577,759
Total current liabilities	1,771,181	1,369,495	1,428,498	1,268,441
Net current liabilities	(1,568,272)	(1,238,126)	(643,135)	(690,682)
Non-current liability	259,619	242,594	260,809	164,371
Net assets	451,170	365,860	475,176	557,457

Key financial ratios

The following table sets out the key financial ratios of the Group during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	(unaudited)				
Net profit margin ⁽¹⁾	1,419.0%	991.1%	452.6%	-153.2%	1,748.2%
Return on equity ⁽²⁾⁽⁷⁾	4.5%	40.5%	19.8%	-3.8%	14.1%
Return on total assets ⁽³⁾⁽⁷⁾	0.8%	7.5%	4.4%	-0.7%	3.9%

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	Current ratio ⁽⁴⁾	0.1	0.1	0.5
Gearing ratio (taking into account only bank borrowing in the calculation of the numerator) ⁽⁵⁾	1.9%	N/A	N/A	N/A
Gearing ratio (taking into account all borrowings in the calculation of the numerator) ⁽⁶⁾	64.1%	62.4%	49.6%	53.4%

Notes:

- (1) Net profit margin equals to net profit for each year/period divided by turnover of such year/period and multiplied by 100%.
- (2) Return on equity equals net profit for each year/period divided by the closing balance of total equity at the end of the respective year/period and multiplied by 100%.
- (3) Return on total assets equals net profit for each year/period divided by total assets at the end of the respective year/period and multiplied by 100%.
- (4) Current ratio equals to total current assets divided by total current liabilities.
- (5) Gearing ratio is calculated based on bank borrowing divided by total assets at the end of the respective year/period and multiplied by 100%.
- (6) Gearing ratio is calculated based on (i) the aggregate of bank borrowing and amounts due to fellow subsidiaries of the Company divided by (ii) total assets at the end of the respective year/period and multiplied by 100%.
- (7) The calculation for the return for the period ended 30 June 2013 has not been annualised.

SUMMARY

During the Track Record Period, the Group recorded net profit of approximately HK\$20.2 million, HK\$148.2 million, HK\$94.2 million and HK\$78.5 million respectively. A significant portion of the Group's net profits was attributable to fair value gains and/or net exchange gain. Assuming the net exchange gain/(loss), fair value changes, realised gain on disposal of investment properties and investment property holding subsidiaries and corresponding taxation charges were excluded, the Group would have recorded a loss attributable to owners of the Company of approximately HK\$26.1 million, HK\$19.2 million, HK\$17.0 million and HK\$4.2 million respectively for the respective years/period during the Track Record Period and the calculation is set out as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
				(unaudited)	
Profit/(loss) for the year/period attributable to owners of the Company	20,207	148,169	94,191	(13,270)	78,495
Less:					
Net exchange (gain)/loss	(52,805)	(48,831)	(8,304)	10,647	(22,225)
In respect of investment properties:					
— realised gain on disposals of investment properties	(1,128)	(1,564)	(1,498)	(339)	—
— realised gain on disposal of an investment property holding subsidiary	—	(225,262)	—	—	(56,916)
— unrealised fair value change	(62,026)	(94,417)	(182,922)	(4,365)	(6,297)
Fair value changes on financial assets at fair value through profit or loss	—	(750)	6,003	(4,008)	737
Add:					
Taxation	69,604	203,425	75,569	6,790	2,051
Adjusted loss for the year/period attributable to owners of the Company by assuming the EXCLUSION of net exchange (gain)/loss, fair value changes, realised gain on disposal of investment properties and an investment property holding subsidiary and adjusting corresponding taxation charges	<u>(26,148)</u>	<u>(19,230)</u>	<u>(16,961)</u>	<u>(4,545)</u>	<u>(4,155)</u>

RECENT DEVELOPMENT OF THE GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

Disposal of the Group's equity interest in Tianjin Property Company

The Group disposed of its equity interest in Tianjin Property Company (which held Tianjin Property) on 25 April 2013 (Please refer to the section headed "Business — Property and property related interests — Properties disposed in April 2013 — Tianjin Property" of this prospectus for further details of the disposal). During the Track Record Period, the Group's turnover was entirely attributable to the rental income from Tianjin Property, which amounted to approximately HK\$1.4

SUMMARY

million, HK\$15.0 million, HK\$20.8 million and HK\$4.5 million respectively. After the disposal of the equity interest in Tianjin Property Company in April 2013, the Group ceased to record any rental income and turnover. The Directors expect that the Group will not record any significant amount of turnover until income could be generated from sale of the development project on Yifu Land.

A significant portion of the fair value gain on the Group's investment properties in 2012 was attributable to Tianjin Property. After the disposal of Tianjin Property, as the Group's property portfolio became smaller, the Directors expect that the Group would record less fair value change from its remaining investment properties assuming the current market conditions remain substantially unchanged, unless its property portfolio is expanded subsequently.

Expenses relating to the Listing

During the Track Record Period, the Group incurred expenses relating to the Listing of approximately HK\$15.9 million. Subsequent to 30 June 2013 and up to the Latest Practicable Date, the Group incurred expenses relating to the Listing of approximately HK\$2.6 million. The Group expects to incur additional expenses relating to the Listing of approximately HK\$12.3 million subsequent to the Latest Practicable Date, of which approximately HK\$4.4 million in connection with issue of new Shares will be capitalised upon Listing, and the remaining balance will be charged to the consolidated statement of profit or loss and other comprehensive income of the Company for the year ending 31 December 2013. The Directors consider that the expenses relating to the Listing will have no material impact on the financial position of the Group.

The Group ceased to record net current liabilities

The Group recorded net current liabilities of approximately HK\$1,568.3 million, HK\$1,238.1 million, HK\$643.1 million, HK\$690.7 million and HK\$690.1 million as of 31 December 2010, 2011 and 2012, 30 June 2013 and 31 July 2013 respectively. These amounts primarily resulted from the amounts owing to fellow subsidiaries of the Company, which were unsecured and repayable on demand.

Immediately after the Reorganisation which was consummated on 26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. Please refer to the section headed "Financial information — Current assets and liabilities — Reversal of net current liability position" of this prospectus for further details. See also the section headed "Risk Factors — Risks relating to the Group's business — The Group had net current liabilities during the Track Record Period" of this prospectus.

WORKING CAPITAL

The Directors expect to finance the Group's working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- the bank balances and cash available, which were approximately HK\$211.9 million as of 30 June 2013; and
- the proceeds from the sale of the Group's interest in Tianjin Property and Harbin Property.

Based on the above, the Directors believe that the Group will have sufficient funds for its present working capital requirements for at least the next 12 months from the date of this prospectus.

TAXATION

The Group is generally subject to enterprise income tax and land appreciation tax in the PRC. During the Track Record Period, the taxation charges amounted to approximately HK\$69.6 million, HK\$203.4 million, HK\$75.6 million and HK\$2.1 million, respectively which represented mainly provisions for land appreciation tax arising from revaluation of investment properties.

SUMMARY

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group recorded unused tax losses of approximately HK\$155.9 million, HK\$174.7 million, HK\$150.5 million and HK\$64.5 million, respectively. These unused tax losses are available for offset against future profits.

MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospect of the Group since 30 June 2013, being the date to which the Group's latest audited financial statements as set out in "Accountants' Report" in Appendix I to this prospectus were made, and up to the date of this prospectus.

SUPPLIERS AND CUSTOMERS

During the Track Record Period, the top five customers who were tenants of Tianjin Property accounted for approximately 70.7%, 63.3%, 53.0% and 78.8% of the Group's turnover, and the single largest customer accounted for approximately 23.9%, 33.3%, 22.4% and 32.9% of the Group's turnover during the respective periods. Other than CTF Beijing, all the top five customers during the Track Record Period were Independent Third Parties.

During the Track Record Period, the top five suppliers accounted for approximately 70.9%, 70.7%, 81.9% and 99.2% of the Group's total purchases, and the single largest supplier accounted for approximately 41.4%, 31.1%, 41.8% and 78.2% of the Group's purchases during the respective periods. The top five suppliers during the Track Record Period were all Independent Third Parties.

Please see the section headed "Business — Suppliers and customers" of this prospectus for further details.

REGULATORY COMPLIANCE

During the Track Record Period, the Group was subject to a few non-compliance incidents. Please refer to the sections headed "Risk factors — Risks relating to the Group's business — Non-compliance of the Group" and "Business — Regulatory compliance" of this prospectus for further details of the Group's certain non-compliance incidents during the Track Record Period.

COMPETITION

The Directors consider that the property market in the PRC is competitive and different property developers have to compete with each other in terms of financial resources, quality and brand name. The Directors believe that the principal competitive edges of the Group include the experience and capabilities of the management team and the quality and location of the property portfolio. See the section headed "Industry overview" in this prospectus for further information on the competitive landscape of the PRC property market.

DIVIDEND POLICY

The Company currently intends not to declare any dividends to the Shareholders for the first few financial years after Listing, as the Directors consider that it will be in the interests of the Company and the Shareholders as a whole to retain earnings of the Group for its investment, capital expenditures and working capital requirement for this initial period. Going forward, the Company will re-evaluate its dividend policy in light of its financial position, capital requirement and the prevailing economic conditions. Please refer to the section headed "Financial information — Dividend and dividend policy" of this prospectus for further details.

FUTURE PLAN AND USE OF PROCEEDS

The Group intends to implement the following plans, each of which is discussed in detail in the section headed "Business — Business strategies" of this prospectus:

- To continue developing its existing property portfolio
- To formulate and implement plans to enhance growth in return and capital value
- To continue to look for commercial property development projects and also development projects with residential elements

The Group intends to use the entire net proceeds of approximately HK\$146.0 million (calculated based on the mid-point Offer Price of HK\$2.12 per Share and assuming that Over-allotment Option is not exercised at all) for developing its existing project on Yifu Land. Please see the section headed "Future plans and use of proceeds — Use of proceeds" of this prospectus for further details.

SUMMARY

OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$1.80 per Offer Share	Based on the maximum indicative Offer Price of HK\$2.43 per Offer Share
Market capitalisation (<i>Note 1</i>)	HK\$748.4 million	HK\$1,010.4 million
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share (<i>Note 2 and 3</i>)	HK\$1.67	HK\$1.79

Notes:

1. The calculation of market capitalisation is based on 415,800,000 Shares expected to be in issue immediately following completion of the Share Offer (but assuming that the Over-allotment Option is not exercised at all).
2. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 415,800,000 Shares expected to be in issue assuming that the Reorganisation and the Share Offer had been completed on 30 June 2013, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
3. No adjustment has been made to the audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2013. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above have not been adjusted to show the effect of the settlement of the amounts due to fellow subsidiaries.

Subsequent to 30 June 2013, as part of the Reorganisation, the amounts due to fellow subsidiaries of approximately HK\$1,025,741,000 have been settled by way of issue of 9,001 shares of the Company (before share sub-division) to satisfy the consideration for acquisition of certain subsidiaries now comprising the Group (the "Settlement"). No pro forma adjustment has been made to the combined net tangible assets of the Group in connection with the Settlement.

The amounts due to fellow subsidiaries of approximately HK\$1,025,741,000 representing the amounts due by the Group to subsidiaries of Parentco as at 30 June 2013, has been adjusted in the table below for illustrative purposes, after taking into account of the Settlement (forming part of the Reorganisation). The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share after taking into account of the Settlement is arrived at on the basis that 415,800,000 Shares expected to be in issue immediately following the Share Offer, assuming the Reorganisation, the Share Offer and the Settlement (forming part of the Reorganisation) had been completed on 30 June 2013, but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option.

	Based on the minimum indicative Offer Price of HK\$1.80 per Offer Share	Based on the maximum indicative Offer Price of HK\$2.43 per Offer Share
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share taking into account of the Settlement	HK\$4.14	HK\$4.26

RISK FACTORS

There are certain risks and considerations relating to an investment in the Shares, among which, the relatively material risks are: (a) the Group may record loss in the future arising from property revaluation; (b) realised gains on disposal of investment properties accounted for a substantial portion of the results of operations of the Group during the Track Record Period and therefore the future profitability of the Group is likely to fluctuate from time to time; (c) the zoning and the related planning criteria as prescribed by relevant PRC authority for Yifu Land may be subject to changes; (d) the Group requires substantial capital resources to develop its existing and additional projects, which may not be available; and (e) the Group may not be able to obtain all necessary governmental approvals for property development on a timely basis or at all. Details of such risks are set out in the section headed "Risk factors" of this prospectus.

DEFINITIONS

In this prospectus, the following expressions shall, unless the context otherwise requires, have the following meanings.

“AIC”	Administration of Industry & Commerce* (工商行政管理機關) in the PRC or, where the context so requires, State Administration of Industry & Commerce of the PRC (中華人民共和國工商行政管理總局) or its delegated authority at provincial, municipal or other local level
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them, to be used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BDGH”	Shanghai BDGH Chartered Valuation Surveyors Co. Ltd., an independent property valuer
“Beauty Power”	Beauty Power Limited (美威有限公司), a company incorporated in BVI on 8 January 2007 with limited liability, and a member of the Remaining Parentco Group as at the Latest Practicable Date
“BNP Paribas”	BNP Paribas Securities (Asia) Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities, being one of the Joint Sponsors
“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CBRE”	CBRE Limited, independent property valuer
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“Chow Tai Fook” or “CTF”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong on 10 August 1966 with limited liability, which, through its wholly-owned subsidiary, Go Create, had 50% indirect equity interest in Real Reward as at the Latest Practicable Date
“City Vision”	City Vision Limited (城景有限公司), a company incorporated in Hong Kong on 10 August 2012 with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Companies Registry”	Companies Registry of Hong Kong
“Company”	Lifestyle Properties Development Limited (利福地產發展有限公司), an exempted company incorporated in the Cayman Islands on 5 January 2012 under the Companies Law with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Parentco which will control the exercise of approximately 60.03% of the voting rights in the general meetings of the Company immediately after the Distribution and the Share Offer (without taking into account the voting rights attached to any Shares which may be issued pursuant to the exercise of the Over-allotment Option)

DEFINITIONS

“CTF Beijing”	北京周大福珠寶金行有限公司 (Beijing Chow Tai Fook Jewellery Company Limited), a wholly foreign owned enterprise established in the PRC on 13 November 2006 and an associate of CTF
“Directors”	director(s) of the Company
“Distribution”	<p>(subject to the Share Offer becoming unconditional in all respects) the payment of a special interim dividend by Parentco to the Parentco Shareholders to be satisfied:</p> <p>(a) by way of distribution in specie of such number of Shares to the Parentco Qualifying Shareholders in the proportion of one Share for every 20 Parentco Share(s) held by them as at the close of business on the Distribution Record Date; and</p> <p>(b) by way of cash payment (after deducting expenses) to the Parentco Excluded Shareholders for such amount which equals to the net proceeds of the sale by Parentco on their behalf of the Shares to which such Parentco Excluded Shareholders would otherwise be entitled to receive.</p> <p>For details of the Distribution, please refer to the sub-section headed “The Distribution” in the section headed “The Spin-off and Distribution” in this prospectus</p>
“Distribution Record Date”	Monday, 19 August 2013, being the record date for ascertaining entitlements of Parentco Shareholders to the Distribution
“Dynamic Castle”	Dynamic Castle Limited, a company incorporated in BVI on 16 June 2005 with limited liability, and wholly-owned by Mr. Thomas Lau as at the Latest Practicable Date
“Enterprise Income Tax Law”	中華人民共和國企業所得稅法 (Enterprise Income Tax Law of the PRC*) promulgated on 16 March 2007
“Ever Better”	Ever Better Limited (粵佳有限公司), a company incorporated in Hong Kong on 15 June 2007 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Excellent Global”	Excellent Global Limited, a company incorporated in BVI on 28 February 2002 with limited liability, and a member of the Remaining Parentco Group as at the Latest Practicable Date

DEFINITIONS

“Forth Soar”	Forth Soar Limited (進昇有限公司), a company incorporated in BVI on 13 August 2012 with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Gain High”	Gain High Limited (高利有限公司), a company incorporated in Hong Kong on 9 April 2009 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Go Create”	Go Create Limited, a company incorporated in BVI on 12 October 2000 with limited liability holding 50% equity interest in Real Reward and wholly-owned by Chow Tai Fook. Go Create will directly hold approximately 1.38% of the enlarged issued share capital of the Company following completion of the Reorganisation, the Distribution and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). As at the Latest Practicable Date, Go Create also directly held approximately 6.96% of the issued share capital of Parentco
“Gold Target”	Gold Target Limited (高標有限公司), a company incorporated in Hong Kong on 17 September 2007 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Good Insight”	Good Insight Limited (華軒有限公司), a company incorporated in BVI on 18 May 2007 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“GREEN application form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company, or some or any of them
“Harbin Property”	a property entirely owned by the Group located at No. 86 Zhongyang Dajie, Daoli District, Harbin, Heilongjiang Province, PRC

DEFINITIONS

“Harbin Property Company”	哈爾濱利福商廈有限公司 (Lifestyle Plaza (Harbin) Co., Ltd.*), a wholly foreign owned enterprise established in PRC on 16 October 1995 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Herosmart”	Herosmart Investments Limited, a company incorporated in BVI on 1 September 2006 with limited liability, and a member of the Remaining Parentco Group as at the Latest Practicable Date
“HKIC”	Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK Subsidiaries”	City Vision, Ever Better, Gain High, Gold Target, Joyful Cheer, Leadplus HK, Silver Joy, Upper Vision and Lifestyle Properties Services
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Properties”	workshop C3 on 11th Floor, workshops C3, C5, C6, C7 and C8 on 12th Floor of Block C and car parking spaces no. 107 and 108 on basement in HKIC, all of which are owned by the Group
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are not connected person (within the meaning of the Listing Rules) of the Company and is/are independent of and not connected with the Company and any directors, chief executive, Controlling Shareholder and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“IRD”	Inland Revenue Department of Hong Kong

DEFINITIONS

“Japan Vendor”	a retail group based in Japan, an Independent Third Party, from which the Group acquired equity interests in Qingdao Property Company, Harbin Property Company and Tianjin Property Company pursuant to a formal sale and purchase agreement made in July 2007 between such retail group and Beauty Power
“Jiuguang Shenyang Store”	the Jiuguang department store which is planned to be operated by the Remaining Parentco Group in Shenyang
“Joint Bookrunners”, “Joint Global Coordinators” or “Joint Lead Managers”	BNP Paribas and Platinum Securities
“Joint Sponsors”	collectively, BNP Paribas and Platinum Securities
“Joyful Cheer”	Joyful Cheer Limited (怡樂有限公司), a company incorporated in Hong Kong on 6 October 2006 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Joyous Wing”	Joyous Wing Limited (榮熹有限公司), a company incorporated in BVI on 16 May 2007 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Knight Frank”	Knight Frank Petty Limited, an independent property valuer
“Latest Practicable Date”	26 August 2013, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Leadplus BVI”	Leadplus International Limited (領加國際有限公司), a company incorporated in BVI on 28 March 2006 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Leadplus HK”	Leadplus International (Hong Kong) Limited (領加國際(香港)有限公司), a company incorporated in Hong Kong on 5 March 2008 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Lichen Company”	利晨企業管理諮詢(上海)有限公司 (Lichen Enterprise Management Consulting (Shanghai) Co. Limited*), a wholly foreign owned enterprise established in the PRC on 18 December 2012 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

DEFINITIONS

“Lifestyle Properties Services”	Lifestyle Properties Services Limited (利福地產服務有限公司), a company incorporated in Hong Kong on 12 November 2012 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange, which excludes Growth Enterprise Market of the Stock Exchange and the options market
“Mr. Joseph Lau”	Mr. Lau Luen Hung, Joseph, a non-executive director of Parentco, the elder brother of Mr. Thomas Lau
“Mr. Thomas Lau”	Mr. Lau Luen Hung, Thomas, the chairman and a non-executive Director of the Company and the managing and executive director of Parentco
“Offer Price”	the final price for each Offer Share (excluding the Stock Exchange trading fee, transaction levy imposed by the SFC and brokerage fee payable thereon) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, particulars of which are described in the section headed “Structure and conditions of the Share Offer — Price payable on application” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option expected to be granted by the Company to the Joint Global Coordinators at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of application forms under the Public Offer, to require the Company to allot and issue the Over-allotment Shares at the Offer Price to cover over-allocations in the Placing, details of which are described in the section headed “Structure and conditions of the Share Offer — Over-allotment Option” of this prospectus

DEFINITIONS

“Over-allotment Shares”	up to an aggregate of 12,540,000 Offer Shares to be issued pursuant to the exercise of the Over-allotment Option, representing 15% of the number of Shares initially available under the Share Offer
“p.a.”	per annum
“Parentco”	Lifestyle International Holdings Limited, a company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 December 2003, whose shares are listed on the Main Board (Stock Code: 1212) and which is the Controlling Shareholder
“Parentco Excluded Shareholder(s)”	the Parentco Overseas Shareholder(s) in relation to whom the directors of Parentco, having made relevant enquiries and based on legal opinions provided by legal advisers, consider its/their exclusion from the entitlement to receive Shares under the Distribution to be necessary or expedient on account either of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Parentco Group”	Parentco and its subsidiaries before the Spin-off, which includes the Group
“Parentco Overseas Shareholder(s)”	Parentco Shareholder(s) whose addresses appearing on the register of members of Parentco at the close of business on the Distribution Record Date are in jurisdictions outside Hong Kong
“Parentco Qualifying Shareholders”	Parentco Shareholders whose names appear on the register of member of Parentco at the close of business on the Distribution Record Date other than the Parentco Excluded Shareholders
“Parentco Shareholders”	holder(s) of the Parentco Shares
“Parentco Shares”	ordinary share(s) of HK\$0.005 each in the share capital of Parentco
“Placing”	the conditional placing of the Placing Shares at the Offer Price, as further described under the section headed “Structure and conditions of the Share Offer” of this prospectus

DEFINITIONS

“Placing Shares”	75,240,000 new Shares being offered by the Company for subscription under the Placing, together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into between the Company, Parentco, the executive Directors, BNP Paribas and Platinum Securities
“Platinum Securities”	Platinum Securities Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being one of the Joint Sponsors
“PRC” or “China”	People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Advisers”	Zhong Lun Law Firm, a qualified PRC law firm acting as the PRC legal advisers to the Company in connection with the application for Listing and the Share Offer
“Price Determination Agreement”	the agreement to be entered into between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, 5 September 2013 or such other date as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, on which the final Offer Price is fixed for the purpose of the Share Offer and in any event no later than 6:00 p.m. (Hong Kong time) on Friday, 6 September 2013
“Public Offer”	the conditional offer of the Public Offer Shares by the Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated in this prospectus and in the related Application Forms

DEFINITIONS

“Public Offer Shares”	the 8,360,000 new Shares initially offered by the Company for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriters listed in the sub-section headed “Public Offer Underwriters” in the section headed “Underwriting” in this prospectus, being the underwriter(s) of the Public Offer
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 30 August 2013 relating to the Public Offer and entered into between the Company, the Parentco, the executive Directors, BNP Paribas and Platinum Securities
“Qingdao Property”	a property entirely owned by the Group located at Nos. 152–158 Jiaozhou Road, Shibe District, Qingdao, Shandong Province, PRC
“Qingdao Property Company”	嘉標商廈(青島)有限公司 (Lifestyle Plaza (Qingdao) Co., Limited*), a wholly foreign owned enterprise established in PRC on 31 December 1995 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Real Reward”	Real Reward Limited, a company incorporated in the Cayman Islands on 20 October 2000 with limited liability and owned as to 50% by United Goal Resources and 50% by Go Create as at the Latest Practicable Date, which will directly hold approximately 10.22% of the enlarged issued share capital of the Company following completion of the Reorganisation, the Distribution and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). As at the Latest Practicable Date, Real Reward also held approximately 51.46% of the issued share capital of Parentco
“Remaining Parentco Group”	Parentco and its subsidiaries after the Spin-off, which excludes the Group
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing as described under the section headed “Reorganisation” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu, Certified Public Accountants
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Shenyang Jiajian”	瀋陽佳建置業開發有限公司 (Shenyang Jiajian Property Development Company Limited*), a company established in PRC on 20 June 2006 in which the Group had 10% equity interest as at the Latest Practicable Date
“Shenyang Planning & Land Bureau”	Shenyang Planning and State-owned Land and Resources Bureau* (瀋陽市規劃和國土資源局)
“Shenyang Yifu Property Company”	瀋陽怡富置業有限公司 (Shenyang Yifu Company Limited*), a wholly foreign owned enterprise established in the PRC on 12 March 2007 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Silver Joy”	Silver Joy Limited (銀怡有限公司), a company incorporated in Hong Kong on 2 February 2007, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Sonic Plus”	Sonic Plus Limited (嘉昇有限公司), a company incorporated in BVI on 30 May 2007 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Spin-off”	the separate listing of the Shares on the Main Board, which is expected to be effected by way of the Share Offer, together with the Distribution
“Statevalue”	Statevalue Limited, a company incorporated in BVI on 30 January 2009 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Parentco and Platinum Securities, pursuant to which Platinum Securities may borrow up to an aggregate of 12,540,000 Shares to cover any over-allocations in the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder(s)”	has/have the meaning ascribed to it under the Listing Rules
“Sun Plaza” or “Jiulonggang”	a commercial building (under the name of “Jiulonggang (九龍港)” as at the Latest Practicable Date) located at No. 48 Zhongjie Road, Shenhe District, Shenyang, Liaoning Province, PRC, in which the Group has a 10% attributable interest through its holding of 10% equity interest in Shenyang Jiajian as at the Latest Practicable Date
“Swift Rich”	Swift Rich Holdings Limited (捷富控股有限公司), a company incorporated in BVI on 11 November 2011 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Takeovers Code”	Hong Kong Codes on Takeovers and Mergers and Share Repurchases as amended, supplemented or otherwise modified from time to time
“Tianjin Property”	the shopping mall operated and owned by Tianjin Property Company at 219 Binjiang Dao, Heping District, Tianjin, PRC under the name of “Lifestyle Plaza (利福廣場)”
“Tianjin Property Company”	利華佳商廈(天津)有限公司 (Li Hua Jia Commercial Building (Tianjin) Co., Ltd*), a wholly foreign owned enterprise established in PRC on 7 August 1996, which was owned by the Group during the Track Record Period and was subsequently disposed of by the Group in April 2013
“TJ Disposal Agreement”	the agreement dated 31 December 2012 entered into between Ever Better and TJ Property Purchaser in relation to the disposal of the equity interest in Tianjin Property Company

DEFINITIONS

“TJ Property Purchaser”	天津現代國際飯店有限公司 (Tianjin Modern International Hotel Company Limited*), a company incorporated in the PRC and principally engaged in the business of hotel management, import and export of goods and technology and catering services, being the purchaser of the equity interest in Tianjin Property Company under the TJ Disposal Agreement, an Independent Third Party
“Total Prestige”	Total Prestige Holdings Limited (全耀控股有限公司), a company incorporated in BVI on 18 November 2011 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Track Record Period”	the three financial years ended 31 December 2012 and the six months ended 30 June 2013
“United Goal Resources”	United Goal Resources Limited, a company incorporated in BVI on 28 December 2000 with limited liability holding 50% equity interest in Real Reward and ultimately owned by Mr. Thomas Lau and a family trust of which Mr. Joseph Lau and certain of his family members are eligible beneficiaries. United Goal Resources will directly hold approximately 1.38% of the enlarged issued share capital of the Company following completion of the Reorganisation, the Distribution and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). As at the Latest Practicable Date, United Goal Resources also directly held approximately 6.96% of the issued share capital of Parentco
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and Public Offer Underwriting Agreement
“Upper Vision”	Upper Vision Limited (上景有限公司), a company incorporated in Hong Kong on 15 June 2007 with limited liability, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date

DEFINITIONS

“Vision Pilot”	Vision Pilot Group Limited, a company incorporated in BVI on 12 February 2002 with limited liability, and a member of the Remaining Parentco Group as at the Latest Practicable Date
“White Form eIPO”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yifu Land”	a parcel of land located in western side of Zhengyang Street, Shenhe District, Shenyang, Liaoning Province, PRC, the land use rights of which are owned by the Group
“Yifu Land Grant Contract”	a contract for grant of land use rights dated 28 December 2011 and entered into between Shenyang Planning & State-owned Land Resources Bureau and Shenyang Yifu Property Company whereby the latter was granted the land use right in respect of the Yifu Land for a term of 40 years commencing from 27 December 2011 for commercial and services use
“HK\$” or “HK dollars” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“US\$” or “USD”	United States dollars, the lawful currency of the U.S.
“sq.ft.”	square feet
“sq.m.” or “m ² ”	square metre(s)
“%”	per cent.

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

$$\begin{aligned} \text{US\$1} &= \text{HK\$7.8} \\ \text{RMB1} &= \text{HK\$1.257} \end{aligned}$$

No representation is made that any amounts in US\$, RMB or HK\$ were or could have been converted at the above rate or at any other rates or at all.

DEFINITIONS

For ease of reference, the names of certain PRC laws and regulations or the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The English names of these companies and entities are only English translation of their respective official Chinese names and they are denoted with “”. In the event of any inconsistency, the Chinese version shall prevail.*

The English text of this prospectus shall prevail over the Chinese text in case of inconsistency.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

commercial use	including retail and office use
GFA	gross floor area
lettable GFA	in relation to: <ul style="list-style-type: none">(i) a completed property project, the total GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for leasing purposes; or(ii) a project where the Group has obtained pre-sale permits, the leasable GFA as shown in the pre-sale permits, completion documents, survey documents and/or property ownership certificates for leasing purposes
total GFA or total gross floor area	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leaseable and non-saleable area. In general, this includes mechanical and electrical services rooms, refuse rooms, water tanks, carparking floors, lifts and staircases

RISK FACTORS

You should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the Company. You should pay particular attention to the fact that the Company is incorporated in the Cayman Islands and the Group has operations conducted outside Hong Kong and which are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on the Group's business, results of operations, financial condition or on the trading price of the Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group may record loss in the future arising from property revaluation

The Group's profit attributable to equity holders of the Company during the three years ended 31 December 2012 and the six months ended 30 June 2013 was approximately HK\$20.2 million, HK\$148.2 million, HK\$94.2 million and HK\$78.5 million respectively. A substantial portion of such profits arose from the exchange gain on assets, fair value gain of investment properties and/or realised gain on disposal of investment properties and investment property holding subsidiaries during such period. In the future, the Group's profit attributable to equity holders of the Company may involve gains and losses on revaluation of investment properties. These upward revaluation adjustments reflect unrealised capital gains on the Group's investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of its investment properties. They do not generate any actual cash inflow to the Group for potential dividend distribution to the Shareholders until such investment properties are disposed of at similar revalued amounts. The amount of revaluation adjustments may be significantly affected by prevailing conditions of the property markets and may be subject to market fluctuations. There is no assurance that the Group will not record revaluation deficits in the future. In the event that there are material downward adjustments in the fair value of the Group's investment properties in the future, its financial position may be adversely affected and the Group may record loss in the future.

Realised gains on disposal of interest in investment properties accounted for a substantial portion of the results of operations of the Group during the Track Record Period and therefore the future profitability of the Group is likely to fluctuate from time to time

Realised gains on disposal of interest in investment properties accounted for a substantial portion of the profit attributable to owners of the Company during the Track Record Period. In addition, the Group has ceased to record any rental income after the disposal of Tianjin Property Company since April 2013. Investment properties are illiquid and, as a result, the Group's ability to sell its investment properties in response to changing economic, financial and investment conditions is limited. The Group cannot predict whether it will be able to sell any of its investment properties for the price or on the terms set by it, or whether any price or other terms offered by prospective purchasers would be acceptable to it. The Group also cannot predict the length of time needed to find customers and to complete the sale. Therefore, the amount of realised gains on disposal of interest in investment properties may be significantly affected by

RISK FACTORS

prevailing conditions of the property market and may be subject to market fluctuations. There is no assurance that the Group will record realised gain on disposal of interest in investment properties in future. In the event that the Group does not record any realised gain on disposal of interest in investment properties in future, its results of operations and financial position may be adversely affected.

The Group requires substantial capital resources to develop its existing and additional projects, which may not be available

The Group requires substantial capital resources to acquire land and develop its existing and additional projects. To date, the Group has relied on internally-generated funds, bank and other borrowings. Going forward, the Group expects that it will continue to rely on internally-generated funds to finance these projects. In this regard, the Group cannot assure that it will at all times be able to obtain additional financing on satisfactory terms, or at all. If the Group is unable to obtain additional financing after the Share Offer, it will not be able to undertake its future development projects or develop additional projects, and its business development may be curtailed until such time, if any, when the Group is able to obtain additional capital resources.

The Group's ability to obtain financing is dependent upon a number of factors. Some of these factors are beyond its control, including general economic conditions, credit availability from financial institutions and monetary policies in the PRC. Financing provided by banks for property development projects in the PRC has been limited historically and the PRC Government had only allowed China Construction Bank to advance property development loans until 1995. In addition, on 5 June 2003, the People's Bank of China ("PBOC") issued a notice, which, among other things, restricts banks from granting loans for the development of luxury residential properties as well as advancing working capital loans for the purpose of financing property developments. Under such notice, commercial banks are prohibited from financing the payment of land premium. The notice also states that, when applying for a bank loan in connection with a property development, a developer's non-gear portion (自有資金) of its investment in the property development must be no less than 30% of its total projected capital outlay, and this requirement is formalised in the Opinions on the Adjustment of Housing Supply Structure and Stabilisation of Housing Prices (關於調整住房供應結構穩定住房價格的意見) jointly issued by nine departments of the State Council and approved by the State Council on 24 May 2006 and the non-gear portion has been increased from 30% to 35%. In accordance with the Notice Regarding Adjusting Capital Ratio of Fixed Assets Investment Project (關於調整固定資產投資項目資本金比例的通知) promulgated by the State Council on 25 May 2009, the minimum capital ratio for real estate development projects (other than low-income and ordinary commercial housing projects) is 30%. The Group may not be able to obtain required borrowings to finance its land acquisitions. This and other PRC government policies may limit the Group's flexibility and ability to use bank borrowings to finance its property developments, which may have a material adverse effect on its business and financial condition.

RISK FACTORS

The Group may have to forfeit land being developed if it does not comply with the terms of the relevant land grant contract

On 3 January 2008, the State Council of the PRC issued the Notice on Promoting the Saving and Improving Efficiency of Use of Land (關於促進節約集約用地的通知) which urged the full and effective use of existing construction land and the preservation of farming land. The notice also emphasised the enforcement of the current rules on idle land. Under PRC laws and regulations, if the Group fails to develop a property under the terms of the land grant contract, the PRC government may issue a warning, impose a penalty or confiscate any land which the Group may hold from time to time. Under current PRC laws and regulations, the PRC government may impose an “idle land fee” equal to 20% of the land premium if the construction fails to commence for more than one year but less than two years after the relevant construction land has been identified as “idle land”. The construction land may be identified as “idle land” under any of the following circumstances: (i) where development and construction of the state-owned land for construction has not been commenced by the land user at the expiry of one year from the date of commencing the development and construction agreed or prescribed in the “Contract on Paid Use of the Right to Use State-Owned Land for Construction” (國有建設用地使用權有償使用合同) or the “Decision Letter on Allocation” (劃撥決定書); or (ii) the development and construction of the state-owned land for construction has been commenced but the area so developed and constructed is less than one-third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction have been suspended for one year. Furthermore, the PRC government has the authority to confiscate any land which the Group may hold from time to time without compensation to it if the Group does not commence construction within two years after the date specified in the land grant contract, unless the delay is caused by force majeure, governmental action or preliminary work necessary for the commencement of construction.

On 8 March 2010, the PRC Ministry of Land and Resources issued the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (國土資源部關於加強房地產用地供應和監管有關問題的通知), pursuant to which developers are required to make a 50% down payment of the land premiums within one month from the date of the land grant contract and to make payment of the remaining balance within a year. Failure to make these payments may result in the land being confiscated pursuant to the terms of the relevant land grant contract.

During the Track Record Period, the Group was not subject to any penalties for late payment of land premiums and was not required to forfeit any land or pay any penalties as a result of late payment of land premiums or failing to commence development pursuant to the relevant land grant contract. However, the Group cannot assure you that it will not be required to pay a late payment fine or be subject to other penalties as a result of any late payment of land premiums or any failure to commence development in accordance with the relevant land grant contract. If this occurs, the Group’s business operations and financial position could be materially and adversely affected.

Under the Yifu Land Grant Contract, the Group is required to commence the construction on Yifu Land by 27 December 2012. If the Group is unable to commence the construction by 27 December 2012, it shall apply for an extension 30 days before such date. If the extension is

RISK FACTORS

granted, it will be valid for no more than one year. Pursuant to the Measures on Disposing Idle Land (閒置土地處置辦法), if the delay in commencement of construction is attributable to the government, the Group may enter into a supplemental agreement to the Yifu Land Grant Contract with the land grantor to agree on a new commencement date for construction. Pursuant to a letter dated 26 June 2013 issued by Shenyang Planning & Land Bureau to the Group, based on the requirements under Clause 16 of the Yifu Land Grant Contract, the facts and reasons stated in the various communications between the Group and the local land and construction authorities, Shenyang Planning & Land Bureau agreed to the commencement of construction by the Group as soon as possible after completing procedures for commencement of construction including the review of further detailed initial design (擴初審查) and the consideration and approval for the Construction Planning Permit (《工程規劃許可證》) for commencement and in accordance with the provisions in the Yifu Land Grant Contract, the deadline for commencement of construction on the Yifu Land was extended for not more than one year. The PRC Legal Advisers are of the opinion that according to such letter, Shenyang Planning & Land Bureau has granted approval for the Group's application for extension of commencement of construction, and the corresponding commencement and completion date for construction under the Yifu Land Grant Contract will be extended accordingly, with the deadline for commencement of construction not exceeding one year over the deadline originally stipulated (i.e. the extended commencement date for construction shall not be beyond 27 December 2013). As it is expected that the construction on Yifu Land is to commence in the first quarter of 2014, and if such plan remains unchanged, the Company will apply for a further extension of the commencement and completion date for construction under the Yifu Land Grant Contract from the Shenyang Planning & Land Bureau in the fourth quarter of 2013. In the event that the Group fails to obtain such further extension, Yifu Land may be identified as "idle land" and unless the delay of commencement of construction is due to force majeure, acts of governmental bodies or preparatory works necessary for the commencement of construction, (a) the Group could be subject to an "idle land fee" which equals to 20% of the land premium (i.e. approximately HK\$142.1 million) if the construction fails to commence for more than one year but less than two years; and (b) the Yifu Land could be confiscated without any compensation if the construction has not been commenced for two years, which would materially and adversely affect the Group's financial position and operation. Please see the section headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land — Extension of construction on Yifu Land & land use right certificate" for further details regarding the extension of deadline for the commencement of construction on Yifu Land.

The zoning and the related planning criteria as prescribed by relevant PRC authority for Yifu Land may be subject to changes

The Group and Shenyang Planning & Land Bureau entered into the Yifu Land Grant Contract dated 28 December 2011. Under the Yifu Land Grant Contract, the Group is entitled to land use right for a term of 40 years commencing from 27 December 2011 (subject to the terms provided in the Land Use Right Certificate to be obtained) for commercial and services use. The land grant fee was already paid in full. According to the Group's PRC Legal Advisers, the Yifu Land Grant Contract is valid and legally binding under the PRC laws, and there are no material legal impediments for the Group to obtain the relevant land use rights certificate of the property in accordance with the Yifu Land Grant Contract.

RISK FACTORS

During the preliminary communication with competent local governmental authorities for the preparation for application of the Planning Permit for Construction Land (建設用地規劃許可證) in August 2012, the Group learnt from a planning drawing of Yifu Land made available by the Shenyang Planning and Design Institution that the development of the Yifu Land may be subject to a 15-metre height limit instead of a 30-metre height limit which the Group understood during its acquisition of the Yifu Land. Thereafter, the Group took steps to seek clarifications with the relevant government departments including the District Government Office and Shenyang Planning & Land Bureau. The Group received a letter dated 19 April 2013 from Shenhe District Government indicating that the planning standard shall remain the same as that applicable at the time of grant of Yifu Land, i.e. at a height not exceeding 30 metres. However, the final planning scheme of Yifu Land is subject to the approval of Shenyang Planning & Land Bureau. The Group further received a letter from Construction Management Office of Shenyang Planning & Land Bureau dated 8 May 2013 confirming that the planning design scheme of Haiyanli-1 commercial project (i.e. the development project on Yifu Land) with a construction height of 29.9 metres had been preliminarily agreed by Shenyang Planning & Land Bureau, and the Group is required to submit an alternative design scheme prepared per comments given by the expert team (as organised by the said bureau) on the construction style, after which Shenyang Planning & Land Bureau will consider granting further approval in accordance with municipal government's review opinion. In late July 2013, the Group submitted the alternative design scheme to Shenyang Planning & Land Bureau for review. A meeting with the expert team (organised by the said Bureau) was held on 8 August 2013 to discuss about such alternative design scheme. During the meeting, the expert team and representatives of the Shenhe District Government and the Shenyang Planning & Land Bureau, after listening to the Group's presentation, all indicated that they considered such alternative design to be generally acceptable with no further comments. Shenyang Planning & Land Bureau indicated that they would complete the approval procedures as soon as possible. As at the Latest Practicable Date, the Group had not yet received the final approval on the planning design scheme. As the counter party is a governmental authority and the matter involves a number of different departments/bureaux, the Directors are not in a position to assess with certainty the development, impact and outcome. Accordingly there can be no assurance that a 30-metre height limit will still be applicable to Yifu Land or that had the 15-metre height limit been confirmed, whether or not an agreed resolution could be achieved or that the Group would be successful in obtaining a reasonable remedy and/or financial compensation without undue delay. There is no assurance that the approval process could be completed within a short period of time. The longer the approval process, the longer the development on Yifu Land would be delayed, resulting in higher opportunity cost for such investment since no income could be generated during the period when development is suspended.

The definite development plan will be subject to final approval of the relevant PRC authorities and the Group has no control over their final decision. If the planning restrictions imposed by the relevant authorities materially deviate from those expected by the Group, the development project of Yifu Land may further be delayed or adversely affected, which may materially and adversely affect the Group's business operations and financial performance. Please see the section headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land" for further details of the development plan of the Yifu Land.

RISK FACTORS

The Group had net current liabilities during the Track Record Period

The Group recorded net current liabilities of approximately HK\$1,568.3 million, HK\$1,238.1 million, HK\$643.1 million and HK\$690.7 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Please see the section headed “Financial information — Current assets and liabilities — Reversal of net current liability position” for details of the reversal of net current liability position of the Group after the Reorganisation.

There is no assurance that the Group’s previous net current liability position will not impair its ability to make necessary capital expenditures or develop business opportunities.

The Company may not declare dividends in the future

The Company currently intends not to declare any dividends to the Shareholders for the first few financial years after Listing, as the Directors consider that it will be in the interest of the Company and the Shareholders as a whole to retain the earnings of the Group for its investment, capital expenditures and working capital requirement for this initial period. There is no assurance that the Company will declare any dividends in the future.

The Group may not be able to obtain all necessary governmental approvals for property development on a timely basis or at all

The property market in the PRC is strictly regulated by the PRC government. To develop and complete a property project, the Group must apply to the relevant PRC governmental authorities for various licences, permits, certificates and approvals. Before the governmental authorities issue such certificates and approvals, the Group is required to meet specific conditions imposed by the PRC laws, regulations and other requirements of the relevant governmental authorities. The Group may encounter delay or other impediment in fulfilling the conditions for obtaining such certificates and approvals. There may also be delay or other uncertainty on the part of the relevant governmental authorities in determining the land development requirements, reviewing the Group’s applications and granting approvals. In the event that the Group fails to obtain the necessary certificates and approvals for any of its property projects, or there is a serious delay in the relevant governmental authority’s examination and approval process, its development schedule and business plan may be adversely affected.

The Group may encounter disruption from the rising cost of labour or the fluctuation in the price of building materials

As a result of the economic growth and the property boom in the PRC, wages for construction workers and the prices of construction materials (including but not limited to cement and steel) have experienced substantial increases in recent years. In particular, the PRC labour contract law that came into effect on 1 January 2008 has significantly enhanced the protection for employees and increased employers’ liability in many circumstances, which may further increase the Group’s labour costs. Generally, construction contractors are responsible for the wages of construction workers and procuring construction materials for property development. However, the Group is exposed to the price volatility of labour and construction materials, if, for whatever reason, the Group has to enter into any construction contract with terms to the effect

RISK FACTORS

that the Group has to bear the risks of the fluctuation in the costs of labour and/or construction materials. If the Group is unable to pass on any increase in the cost of labour or construction materials to either its construction contractors or to the ultimate purchasers or tenants of its properties, its results of operations may be adversely affected.

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

The Group may be involved in disputes with employees and various parties involved in the construction, development and sale of its properties, including contractors, suppliers, construction workers, original residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to the Group's reputation, substantial costs and diversion of resources and management's attention. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees which in turn may result in liabilities and cause delays to its property developments.

The Group may suffer losses that are not covered by insurance

The Group's business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events in the areas of its property developments. The Group carries insurance on its properties with respect to specified catastrophic events, of types and in amounts and with deductibles that it believes are in line with coverage customarily obtained by owners of similar properties. However, there are other types of losses, such as from war and acts of terrorism, for which the Group cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from the property. Furthermore, the Group may remain liable for any project construction loans, mortgage loans or other financial obligations related to the property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect its business and financial condition. In addition, the Group has to renew its policies every one or two years and negotiate acceptable terms for coverage, exposing it to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect the Group's financial condition.

There may be time lag in realising any benefits from the Group's investment

Property development is highly capital intensive in nature. Before the Group can proceed with its sales or pre-sales of its property, it has to invest a significant amount of capital, time and efforts into a project for acquisition of land, project planning, design of the property development, property construction and promotion of the development. A project will usually take several years to complete. Various uncertain factors or unforeseeable circumstances are beyond the Group's control, including but not limited to natural disasters, increase in the cost of construction materials, equipment, labour and the fees of various independent contractors, implementation of new laws and regulations and change of governmental policies and market circumstances, and may cause the Group to deviate from its original plan and affect the return

RISK FACTORS

on its investments. Delay in construction or failure to complete the development of a property development project in accordance with its planned specifications, schedule or budget as a result of the above or any other factors may have a material adverse effect on the Group's business, financial condition and results of operations and may result in reputational damage to the Group. There can be no assurance that the Group will not experience any significant delays in completion or delivery of any of its property development projects or the Group will not be subject to any liabilities for any such delays.

The Group depends on key management personnel

The Group's success and growth depend on its ability to identify, hire, train and retain suitable skilled and qualified employees, including management personnel with the requisite industry expertise. The Directors and members of senior management of the Group (see the section headed "Directors, senior management and staff" in this prospectus) are important to its success. They include, in particular, the executive Directors (namely Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)), the Chairman and non-executive Director (namely Mr. Thomas Lau) and senior management members (namely Mr. Lim Weling, Mr. Chan Chi Keung and Mr. Poon Ching Pui). The loss of a significant number of the Directors and senior management of the Group could have a material adverse effect on its business if the Group is unable to find suitable replacements in a timely manner. Competition for such personnel is intense, and any failure to recruit and retain the necessary management personnel at any time could harm the Group's business and prospects.

The Group cannot assure that the services rendered by independent contractors will always match its requirements for quality or be available within its budget

The Group engages independent contractors to provide various services, including design, construction and installation of electrical systems of its real estate development projects. The Group selects independent contractors through tendering, and the decision to award contracts is made on the basis of capability to satisfy contract requirements, reputation for quality and price. There is no assurance that the services rendered by any of these independent contractors will always be satisfactory or match its requirements for quality. In addition, the Group may be required to provide additional capital or other payment in excess of the contractor's tenders to complete a property development. Further, due to a contractor's financial or other difficulties, completion of the Group's property development may be delayed, and the Group may incur additional costs. Any of these factors could have a material adverse effect on the Group's business and financial condition.

Failure to comply with the Group's environmental responsibilities may adversely affect its operations and financial performance

The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and the Group may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. There is no assurance that more

RISK FACTORS

stringent environmental protection requirements will not be imposed by relevant governmental authorities in the future. If the Group fails to comply with existing or future environmental laws and regulations or fails to meet public expectations in relation to environmental matters, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions, any of which could materially and adversely affect its operations and financial performance.

For the Group's future development projects, it may be required to relocate existing residents and pay relocation costs and the relocation process may not be completed as planned

For the Group's future development projects, either the relevant land authorities or the Group is responsible for relocating existing residents and demolishing existing structures on the project sites. In cases where the Group is responsible for relocation, it is required to compensate the owners or residents of existing buildings on land to be developed for relocation in accordance with applicable law. Regardless of whether the Group or the relevant land authorities are responsible for relocating existing residents, if any resident is dissatisfied with the relocation compensation and refuses to move, the Group or the land authorities may seek to resolve the dispute by negotiating with the relevant resident to reach a mutually acceptable relocation compensation arrangement, or applying to the relevant authority (where the existing buildings are located) for its determination of whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant authority will then make a decision as to the proper costs and timetable. Such disputes may substantially increase the relocation costs payable by the Group and delay the proposed construction process. If a large number of residents refuse to accept the relocation arrangements, or if there are similar delays beyond the Group's expected timeframe in the relocation process of any of its projects, the Group may not be able or willing to proceed with the proposed development and its returns may be adversely affected. In addition, the Group cannot assure that the relevant authorities will not further amend their policies on relocation, the relocation compensation formulae or their rules and requirements on other related matters. If they do so, the Group's construction costs could substantially increase and its relocation timetable could be further delayed, which would adversely affect its business and financial condition.

Non-compliance of the Group

The Group had certain non-compliance incidents during the Track Record Period. There is no assurance that the Group will not have any non-compliance incidents in the future. In the event that the Group breaches any applicable laws, rules or regulations in the future, the Group may be subject to fines or penalties arising from such non-compliance incidents. As a result, the operation and financial position of the Group may be materially and adversely affected. Please refer to the section headed "Business — Regulatory compliance" of this prospectus for further details of the Group's certain non-compliance incidents during the Track Record Period.

RISK FACTORS

RISKS RELATING TO THE GROUP'S INDUSTRY

PRC Government policies, regulations and measures intended to discourage speculation in the property market may adversely affect the Group's business

At different stages, the PRC government formulated and implemented policies and incentives to encourage property development or to discourage property speculation. The period of 1999 to 2003 saw the encouragement of real property development. However, in light of increasing speculation and investment in the real property market, which resulted in rapid increases in property prices, the PRC government has implemented a series of control measures to discourage speculation in the real property market and to ensure the availability of affordable housing.

On 11 July 2006, the Ministry of Construction (“**MOC**”), the Ministry of Commerce of the PRC (“**MOFCOM**”) the National Development and Reform Commission (“**NDRC**”), the PBOC, the State AIC and SAFE jointly issued the Opinion on Regulating the Access and Management 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) (the “**171 Opinion**”). The 171 Opinion aims to regulate the access to the domestic real estate market by foreign investors and to strengthen management of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others, stricter standards for a foreign institution or an individual to purchase real property in the PRC which is not intended for personal use. See the section entitled “Summary of Principal PRC Legal and Regulatory Provisions” in Appendix IV to this prospectus.

On 23 May 2007, the MOFCOM and SAFE issued the Circular on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (“**2007 Circular**”), which states that, among other things, a foreign investor must apply to establish Foreign-Invested Real Estate Enterprise (“**FIREE**”) in accordance with the PRC laws if it plans to develop or operate property business in the PRC. The 2007 Circular states that foreign investors cannot bypass the examination and approval requirements applicable to foreign-invested property businesses by changing the actual controllers of the domestic property enterprises in the PRC. If foreign-invested enterprises wish to engage in property development or operation business, or FIREEs wish to engage in new project development operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of business operation. Pursuant to the requirements in the above circulars, the Group must apply to the relevant examination and approval authorities if it plans to expand the scope of its business or the scale of its business operations, engage in new project developments or operations or increase the registered capital of its PRC foreign-invested subsidiaries in the future.

On 22 November 2010, the general office of MOFCOM promulgated the Notice on Strengthening the Administration of Examination and Approval for Foreign Investment in the Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知) (“**2010 Notice**”). The 2010 Notice states that, among other things, competent commerce authorities of all regions shall carry out examination and approval in strict accordance with the various provisions on the establishment of investment companies by foreign investors, and shall not examine and approve

RISK FACTORS

investment companies involved in real estate development and operation business. It further strengthens the examination and approval for real estate projects newly set up or with capital increase by way of merger and acquisition or equity contribution.

On 24 December 2011, the NDRC and the MOFCOM jointly enacted the Foreign Investment Industrial Guidance Catalogue (2011 Revision) (外商投資產業指導目錄(2011年修訂)) which is enforced on 30 January 2012 (the “**2011 Catalogue**”). 2011 Catalogue provides that the areas of the real estate industry such as (1) the development of large scale of land lots which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (2) the construction and operation of high-end hotels, premium office buildings and international conference centers; (3) transaction in the second-tier real estate market, and housing agents or brokerages, shall all belong to the category of restricted industry for foreign investment.

In addition, if the PRC government issues further policies or regulations with a goal of further regulating or restricting foreign investment in the PRC property industry, and if these policies or regulations are applicable on the Group’s business and operations, the Group’s ability to secure new projects may suffer and the Group’s business, financial condition, results of operations and prospects may be materially and adversely affected.

The property market in the PRC is volatile

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC national and local economies. Such economic adjustments may affect the real estate market in China and may lead to price instability as well as imbalance of supply and demand of properties. The Group cannot assure that there will not be over-development in the property sector in the PRC in the future. Any future over-development in the property sector in the PRC may result in an over-supply of properties and a decrease in property prices, or alternatively an under-supply of available sites for future development and an increase in land acquisition cost in the Group’s target property markets. These factors may adversely affect the Group’s business, financial condition and results of operations. Given that (i) changes in the property markets are difficult to predict; and (ii) the long lead times required to develop projects from planning through construction to completion, the Group may not be able to respond to property market fluctuations in a timely manner to prevent losses.

The property market in the PRC is highly competitive

The property market in the PRC is highly competitive. The Group competes with a number of other property developers. The Group’s existing and potential competitors include private developers in the PRC, as well as developers from Hong Kong and elsewhere. Some of the Group’s competitors may have greater marketing, financial and technical resources than are available to the Group, and greater economy of scale, broader brand recognition and track record and more established relationships in certain markets. For further information on the Group’s competitive position, see the section headed “Business — Competition” of this prospectus.

RISK FACTORS

The Group's properties face competition from similar properties in the same market. Increasing competition in these markets may lead to competing bids for development sites, increased acquisition costs, an increase in supply of developed properties, a decrease in sales prices and a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities. All these factors would adversely affect the Group's profitability. Competition may also affect the Group's ability to attract and retain tenants and buyers, and may reduce the rents or prices the Group is able to charge. Competing properties may have vacancy rates higher than the Group's properties, which may result in those competitors being willing to lease or sell available space at lower prices than the space in the Group's properties. An inability to compete effectively could adversely affect the Group's business and financial condition.

Availability of suitable land for property development

As a property development company, the capability to identify and acquire suitable land for property development is crucial to the Group's business. Various factors may affect the suitability of a land site for designated or planned development, including but not limited to, the accessibility, the availability of infrastructure, transport network and other ancillary facilities, competition from other similar property developments in the nearby area etc. These factors could affect the property value of the Group. The Group's business, financial condition and results of operations may be adversely affected if the Group is unable to acquire suitable land for property development at prices that allow the Group to achieve reasonable returns upon the sale of the Group's developed properties.

The PRC government controls the supply of all new land in the PRC and regulates the sales of land in the secondary market. The PRC government also controls the land supply through zoning, land usage regulations and other means. For example, on 18 November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the Ministry of Supervision and the National Audit Office jointly issued the Circular on Further Tightening Control over Income and Expenses from Land Grant (關於進一步加強土地出讓收支管理的通知), which provides that, among other things, the period for payment of instalments for land acquisitions from the relevant land and resources authorities is principally limited to no more than one year (with the exception of lands for special projects, which limit can be extended to no more than two years), and that the amount for the first payment instalment must not be less than 50% of the entire purchase price of the land acquisition. Accordingly, the policies of the PRC government towards land supply may adversely affect the Group's ability to acquire suitable land and could increase the Group's land acquisition cost.

Further, under the Urban Real Estate Management Law of the PRC (中華人民共和國城市房地產管理法) implemented on 1 January 1995 and amended on 30 August 2007 and the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007, land to be used for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development shall be granted by the government only by means of competitive bidding, public auction or listing-for-sale. Accordingly,

RISK FACTORS

in acquiring new land for development, the Group may be subject to competition from other property developers, which may become more difficult and require additional costs for the Group to acquire new land.

The Group's property development activities are subject to risks associated with the property industry

The Group intends to develop office and commercial buildings. The Group's property development activities involve acquiring from municipal and provincial governments of the PRC development rights for large plots of land, many of which have existing structures and residents. Acquiring these development rights, converting them into land use rights and committing financial and managerial resources to develop the land involve significant risks. Before a property development generates any turnover, the Group must make a variety of material expenditures, including acquisition of development rights and construction of the property development infrastructure. It generally takes a few years for a planned development to generate turnover from rental or sale (or pre-sale) transactions, and the Group cannot assure that such development will always achieve positive cash flow. As a result, the Group's current and future property development activities have in the past been exposed to, and may continue to be exposed to, the following risks:

- the Group may incur construction and other development costs for a development project which exceed the Group's original expectations due to increases in interest rates and increased material, labour, leasing or other costs. This could make completion of the project uneconomical because market rents or sales prices may not increase sufficiently to compensate for the increase in construction and other development costs;
- the Group may delay, or change the structure of, property development opportunities after it begins to explore them. As a result, it may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred;
- the Group may be exposed to risks that the actual total GFA of the projects developed by itself might exceed the GFA specified under the related state-owned land use right grant contracts or being permitted by the related planning permits. The Group is required to apply for approvals from the relevant planning authority for any enlarged GFA, and to pay additional land grant fees to the relevant authority in accordance to relevant state-owned land use right grant contracts. Only when additional land grant fees have been paid may any enlarged GFA be pre-sold or sold. If the relevant enlarged GFA is not approved by the planning authority, the Group will be exposed to the risk that it cannot obtain ownership of the relevant enlarged GFA and thus its financial condition might be adversely affected;
- the Group may be unable to complete construction of a property on schedule or on budget, due to a variety of factors. These factors include shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors and sub-contractors, accidents, changes in PRC Government priorities and policies, changes in market conditions, delays in the

RISK FACTORS

relocation process, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other problems and circumstances, which may result in increased debt service expense and construction costs;

- the Group may lease or sell developed properties at below expected rental rates or sales prices, and it may experience delays in the sale or leasing of developed properties, as a result of (among other reasons) the supply and demand of comparable properties, and the cyclical nature of the real estate industry;
- the Group incurs extensive capital costs and expenditures several years in advance of related revenues from a project, and therefore its year-on-year cash flows and profitability may be adversely affected; and
- occupancy rates, rents and sales prices for newly-completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in the Group's investments being less profitable than it expected or not profitable at all.

Any of these circumstances could adversely affect the Group's business and financial condition.

The Group may be unable to transfer the proceeds from the Share Offer into the PRC for property developments and PRC equity investments

The Company, as an offshore holding company, typically conducts its property development operations in the PRC through its PRC subsidiaries. The Group may transfer the proceeds from the Share Offer to the PRC either by advancing shareholder loan to its PRC subsidiaries or by increasing their registered capital, both of which would require the Group to obtain approvals from, and/or make filings or registrations with relevant PRC authorities.

If the Group intends to transfer the proceeds from the Share Offer to its PRC subsidiaries by way of shareholder loan, such loan may be deemed as foreign debts and the Group would be required to register with SAFE or its competent branch for such debts. Pursuant to the Interim Provisions on Foreign Debt Management (外債管理暫行辦法) jointly issued by State Development Planning Commission (now known as NDRC), Ministry of Finance and SAFE on 8 January 2003, the total sum of the accumulated amount of medium and long-term foreign debts and the remaining balance of short-term foreign debts incurred by foreign-invested enterprises shall be limited to the margin between their total investment and registered capital as previously approved by the approval authorities. Where the margin is exceeded, the original approval authority may require the Group to increase the registered capital of the relevant PRC subsidiaries. In addition, for those PRC subsidiaries with a FIRE status, their ability to receive the offshore proceeds from the Share Offer by way of shareholder loan could be highly restricted under relevant SAFE regulations. For details, please refer to the paragraph headed "Ability to Obtain Offshore Financing" under the section headed "Regulatory Overview" of this prospectus.

If the Group intends to transfer the proceeds from the Share Offer to the PRC through increasing the registered capital of the PRC subsidiaries, the Group would be required to apply for the requisite approvals from the relevant PRC authorities and to complete the subsequent

RISK FACTORS

filings with MOFCOM and registrations with SAFE and SAIC (or their competent branches) respectively in respect of such capital increase. Pursuant to the Implementation Opinions on Some Issues concerning Law Application for the Administration of Examination and Approval and Registration of Foreign-funded Companies (關於外商投資的公司審批登記管理法律適用若干問題的執行意見) issued jointly on 24 April 2006 by the State Administration for Industry and Commerce, MOFCOM, China Customs and SAFE, when a foreign-invested company wishes to increase its registered capital, it should first obtain approvals from MOFCOM or its competent branch, and its shareholders shall pay no less than 20% of the newly increased capital when the company registers the increased capital with SAIC or its competent branch, and the rest of the increased capital shall be paid within 2 years after the issuance of the new business license. The Group will not be able to transfer the proceeds from the Share Offer to the PRC for financing the property development projects contemplated in this prospectus before completion of the abovementioned approval, filing and/or registration formalities. Additionally, the Group may be unable to obtain in a timely manner the required approvals from or filings with the relevant government authorities. Failure to obtain such government approvals, filings and registration or any material delay in the approval, filing or registration process may adversely affect the Group's development plans and/or causing it to suffer from foreign exchange loss, thereby affecting its results of operations.

In addition, on 29 August 2008, the Comprehensive Department of SAFE issued the Notice regarding Improvement of Operation of Settlement on Foreign Invested Enterprises' Foreign Exchange of Capital Fund (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知). Pursuant to this notice, RMB settled from foreign-invested enterprise's capital fund may not be used for equity investment in the PRC. Any foreign-invested enterprise, other than foreign invested real estate development enterprises, shall not purchase domestic real estate for purposes other than self-use purpose with RMB funds derived from its capital fund. Therefore, except as otherwise approved, the Group is not allowed to utilise the proceeds from the Share Offer for the increase in registered capital for its subsidiaries in the PRC.

Further, the Group cannot assure that the PRC government will not introduce new policies that may further restrict its ability to inject funds raised in the future, including the funding obtained from the Share Offer, into the PRC for its operations.

The Group may be subject to significant amounts of land appreciation tax

The Group's income from the sale of land use rights, buildings or related facilities on such land is subject to a land appreciation tax ("LAT"). LAT is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 5% of the total development costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the real property. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption

RISK FACTORS

from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

On 28 December 2006, the State Administration of Taxation issued the Notice on the Relevant Issues Concerning the Settlement Management of Land Value-Added Tax on Real Estate Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知). This notice came into effect as of 1 February 2007 and provides further clarity on the application of the LAT with respect to real estate development projects. First, the notice specified that taxpayers will be required to settle LAT for each real estate project developed, or if the project is developed in stages, for each stage of the project. Second, the LAT should be imposed on taxpayers under the following conditions: (i) when a real estate development is completed and completely sold; (ii) when an unfinished real estate project that is subject to final accounts is wholly transferred to a third party; or (iii) when the taxpayer's land use right is directly transferred. In addition, LAT may be imposed on taxpayers under the following conditions: (i) where a real estate development has been completed and approved, if the area transferred is greater than 85% of the total saleable area of the development, or if the area transferred is less than 85%, and the retained area is leased or used by the developer; (ii) where a real estate development has not been sold on the expiration of three years from the date the Sales (Pre-sale) Permit was obtained; (iii) where a taxpayer has applied to write-off its tax registration but has not yet settled the LAT; or (iv) other circumstances as prescribed by the provincial tax authorities.

As at 30 June 2013, no LAT was due to be paid by the Group, but for prudence sake provision was made for LAT and other related tax payables in the sum of approximately HK\$198.0 million. The Group's current provision of LAT is based on its management's best estimates according to the understanding of the requirements as discussed above. However, the actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the PRC tax authorities may not agree with the basis on which the Group calculates its LAT obligations. The Group has not finalised the LAT calculation and payments with the tax authorities for its property development projects. There is no assurance that the current provision of LAT is accurate and the final outcome could be different from the amounts that were initially recorded. In the event that the Group is required to settle any or all unpaid LAT, the Group's cash flow during the related period may be adversely affected.

Potential liability for environmental problems could result in substantial cost

The Group is subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary to a large extent according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause the Group to incur substantial compliance and other costs and can prohibit or severely restrict project development activities in environmentally sensitive regions or areas.

RISK FACTORS

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of the Group's construction projects and have not revealed any environmental liability that the Group believes would have a material adverse effect on its business or financial condition. However, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which the Group is unaware.

The Group's prospects may be adversely affected by natural disasters

Natural disasters or other catastrophic events, such as earthquakes, floods or severe weather conditions affecting the regions where the Group operates could, depending upon their magnitude, significantly disrupt its business operations or cause a material economic downturn in the affected area, which in turn could materially and adversely affect its business operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect the Group's business

The Group's results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as most of the Group's assets are located in the PRC and a substantial portion of the Group's income has been generated from the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect the Group's business. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, there can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to the Group's business, results of operations and prospects.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on the Group's business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes imposed by the PRC government. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon the Group's business, operations or profitability.

RISK FACTORS

PRC regulations on loans to and direct investment by offshore holding companies in the PRC entities may delay or prevent the Group from making loans or additional capital contributions to the PRC subsidiaries

As offshore holding company(ies) of the PRC subsidiaries, other member(s) of the Group may make loans to the PRC subsidiaries, or may make additional capital contributions to the PRC subsidiaries. Any loans to a PRC subsidiary are subject to the PRC regulations and foreign exchange loan registrations. For example, loans by offshore holding companies to the PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. The Group may also determine to finance the PRC subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM or its local counterpart. There is no assurance that the Group may obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Group to finance the PRC subsidiaries. If the Group fails to receive relevant registrations or approvals, its ability to capitalise the Group's PRC operations would be negatively affected which would adversely and materially affect its liquidity and the Group's ability to expand its business.

PRC regulations relating to acquisitions of the PRC companies by foreign entities may limit the Group's ability to acquire the PRC companies and adversely affect the implementation of the Group's strategy as well as the Group's business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2009 Revision) (關於外國投資者併購境內企業的規定) ("M&A Rules"), which were promulgated on 22 June 2009 and were effective from the same day, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a domestic enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If the Company decides to acquire any PRC company in the future, there is no assurance that the Company or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict the Group's ability to implement its expansion and acquisition strategy and could materially and adversely affect the Group's future growth.

The Group's business will be affected if there is a labour shortage in the PRC

Certain steps in property construction, development and management is labour-intensive. If there is a shortage of labour in the PRC where the majority of the Group's property projects are located, the Group's operations may be affected and extra time and resources will be employed to recruit new labour. In addition, staff costs may be increased by various factors, such as minimum wage requirements imposed by national and/or local authorities in the PRC. These

RISK FACTORS

may increase the costs of the Group generally. If such increases cannot be passed on to selling prices or rental of the Group's properties, the Group's financial position may be adversely affected.

There is no assurance that the Group will be able to renew all necessary licences, certificates, approvals and permits for the Group's construction projects and operation

As at the Latest Practicable Date, the PRC subsidiaries obtained and held all necessary licences, certificates, approvals and permits for their respective operations.

There is no assurance that such PRC subsidiaries will be able to renew such licences, certificates, approvals and permits upon their expiration. The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licenses, certificates, approvals or permits requirements relevant to the Group's business operations and property industry may significantly escalate the Group's compliance and maintenance costs or may preclude the Group to continue with its existing operations or may limit or prohibit the Group from expanding its business. Any such event may have an adverse effect to the Group's business, financial results and future prospects.

The Company is a holding company and its ability to pay dividend relies on dividend payments from its subsidiaries

The Company is a holding company and the Group's business is substantially conducted through its operating subsidiaries. As a result, the Company's ability to pay dividend depends on dividend and other distributions received from its operating subsidiaries. If the Company's subsidiaries incur debts or losses, it may impair their ability to pay dividend or other distributions to the Company, which could adversely affect the Company's ability to pay dividend to Shareholders.

The ability of the Company's subsidiaries to pay any dividend in a given year to the Company depends on the legal and regulatory requirements to which the relevant subsidiary is subject. In general, such subsidiaries could not pay any dividend to the Company if they do not have any distributable profits. Limitations on the ability of such subsidiaries to remit their after-tax profits to the Company in the form of dividend or other distributions could adversely affect the Company's ability to grow, to invest, to pay dividend and otherwise fund, and to conduct its business. There is no assurance that such subsidiaries will generate sufficient earnings and cash flow to pay dividend or otherwise distribute sufficient funds to the Company to enable it to pay dividend to Shareholders.

In respect of the PRC subsidiaries, the latest Enterprise Income Tax Law and its implementation rules stipulate that if an entity is deemed to be a non-PRC resident enterprise which has no establishment or place of business in the PRC or has establishment or place of business in the PRC but the income has no relationship with such establishment or place, withholding tax at the rate of 10% will be applicable to any dividend paid to it by its PRC subsidiaries to the extent such dividend has its source within the PRC, unless it is entitled to reduction or elimination of such tax, including under relevant tax treaties.

RISK FACTORS

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that members of the Group may enter into in the future may also restrict the ability of such members to pay dividend or make distributions to the Company. These restrictions would reduce the amount of dividend or other distributions the Company could receive from its subsidiaries, which in turn would restrict the Company's ability to pay dividend to Shareholders.

Under the Enterprise Income Tax Law and the related implementation regulations, which became effective on 1 January 2008, dividend from the Company's subsidiaries in the PRC may be subject to withholding tax or the Company may be subject to the PRC tax on the Company's worldwide income

The Enterprise Income Tax Law (企業所得稅法) and the Implementation Rules of Enterprise Income Tax Law (企業所得稅法實施條例), both of which were enforced from 1 January 2008, provide that withholding tax at 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Such tax may be exempt or reduced pursuant to the tax treaty between the PRC and the jurisdiction of the investors.

Under the Enterprise Income Tax Law and its related implementation regulations, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose "de facto management body" is located in the PRC are treated as resident enterprises for PRC tax purposes. If any entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate. The term "de facto management body" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. If the Company is deemed a PRC resident enterprise under the Enterprise Income Tax Law by the PRC taxation authority, the Company may be subject to the PRC tax on its worldwide income at the 25% tax rate. Under this condition, being a PRC tax resident, the dividend from the Company's subsidiaries in the PRC would be exempted from PRC Enterprise Income Tax when meeting the relevant conditions.

Dividend payable by the Company to Shareholders and gain on the sale of the Shares may be subject to the PRC tax

Under the Enterprise Income Tax Law and its implementation regulations, dividend income of non-resident enterprises (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) are generally subject to PRC enterprise income tax at the rate of 10% to the extent such dividend has its source within the PRC unless it can be reduced pursuant to the respective tax treaty between the PRC and the jurisdiction in which the non-resident enterprise resides which reduces or exempts the relevant tax. Similarly, any gain realised on the transfer of shares by such non-resident investors is subject to a 10% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether the Company will be considered a PRC resident enterprise, dividend payable to Shareholders with respect to the Shares, or the gain Shareholders may realise from the transfer of the Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax. If the Company is

RISK FACTORS

required under the Enterprise Income Tax Law to withhold the PRC tax on dividend payable to foreign Shareholders, or if you are required to pay the PRC tax on the transfer of your Shares, the value of your investment in the Shares may be adversely affected.

Fluctuation of RMB may adversely affect the Group's operations and financial results

The value of the RMB is subject to changes in the PRC government's policies and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the conversion of RMB into foreign currencies, including Hong Kong dollars and USD, has been based on exchange rates published by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of RMB into USD has generally been stable. However, on 21 July 2005, as a result of RMB being re-pegged to a basket of currencies, RMB was revalued and appreciated against USD and Hong Kong dollar. The PRC government has since made adjustments, and in the future may make further adjustments, to the exchange rate system. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. During the period between 1 January 2006 and 31 December 2011, the value of RMB appreciated against Hong Kong dollar by an average of approximately 4.2% per annum. Any appreciation of RMB against Hong Kong dollar or any other foreign currencies may subject the Group to increased costs. As at the Latest Practicable Date, apart from the investment properties in Hong Kong, the Group's other property investment and operations were all in the PRC. Any significant depreciation in the exchange rates of RMB against USD or Hong Kong dollar could adversely affect the financial results, and hence value of the Company's dividend payment, which would be funded by RMB but paid in Hong Kong dollars.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available in the PRC at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict the Company's ability to obtain sufficient foreign currency in the PRC to satisfy the Group's foreign currency needs.

RISKS RELATING TO THE SHARE OFFER

The Underwriting Agreements may be terminated by the Joint Global Coordinators

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) giving notice in writing to the Company upon the occurrence of any of the events stated in "Underwriting — Underwriting arrangements and expenses — Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) terminate their obligations under the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will lapse and no allocation of the Offer Shares to potential investors will be effected.

RISK FACTORS

Shareholders' interests in the share capital of the Company may be diluted in the future

The Company may in the future expand its capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to the Group's business. The Company may require additional equity funding after the Share Offer and the equity interest of Shareholders will be diluted should the Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Lack of liquidity of the Shares and volatility of the market price may be resulted

Prior to the Share Offer, there has been no public market for the Shares. There is no guarantee that a liquid public market for the Shares will be developed or be sustainable upon completion of the Share Offer.

If an active public market for the Shares could not develop after the Share Offer, the market price and liquidity of the Shares might be adversely affected. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of the Shares may be caused by factors beyond the Company's control and may be unrelated or disproportionate to the Group's operating results.

Difficulties may be experienced in protection of interests of shareholders as the Company is incorporated under Cayman Islands laws, where under Cayman Islands laws, protection to minority shareholders may differ from those established under the laws of Hong Kong and other jurisdictions

The Company's corporate affairs are governed by its memorandum of association and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Further information on the constitution of the Company and Cayman Islands Company Law is set out in the section headed "Summary of the constitution of the Company and Cayman Islands company law" set out in Appendix V to this prospectus.

You are cautioned not to place any reliance on any information contained in press articles or media regarding the Company or the Share Offer

There may be press and media coverage regarding the Company or the Share Offer, which may include certain financial information, financial projections and other information about the Group that do not appear in this prospectus. The Company has not authorised the disclosure of any such information in the press or media. The Company does not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this

RISK FACTORS

prospectus, the Company disclaims it. Accordingly, you should not rely on any such information. You should rely only on the financial, operational and other information included in this prospectus.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts may be inaccurate

The statistics relating to the economy of Hong Kong and the PRC, and the property industry and the related facts set out in the section headed “Industry overview” of this prospectus have been extracted from various government official sources. Although reasonable care has been taken to ensure that such statistics and facts extracted are accurate, the Group has not carried out any independent verification on such statistics and facts. Accordingly, the Group makes no representation as to the completeness or accuracy of such statistics and facts. Due to different collection methods and other reasons, the statistics and facts extracted from various government official sources contained in this prospectus may be inaccurate and should not be unduly relied upon. In all cases, investors should consider the weight or importance they should place on all such facts and statistics that are set out in the section headed “Industry overview” of this prospectus.

Forward-looking statements may be inaccurate

This prospectus contains certain forward-looking statements relating to the Group’s plans, objectives, expectations and intentions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual performance or achievements of the Group to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to the Group’s present and future business strategies and the environment in which the Group will operate in the future. The Group’s actual performance or achievements may differ materially from those discussed in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

The Group has entered into an agreement for transactions which would constitute continuing connected transactions that will become subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transaction together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed "Continuing connected transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, 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 about the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Company has not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by the Company, the Joint Global Coordinators, the Underwriters or any of their respective directors, officers or representatives or any other person involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Group since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for granting listing of, and permission to deal in, on the Main Board, the Shares in issue and to be issued pursuant to the Share Offer. Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 12 September 2013. Save as disclosed herein, none of the Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date,

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company. The Share Offer is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm or by his/her acquisition of the Offer Shares will be deemed to confirm that he/she is aware of the restrictions on the offer or placing of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or public offering or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws of such jurisdictions and pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence on Thursday, 12 September 2013. The Shares will be traded on the Main Board in board lots of 2,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

NO CHANGE IN THE NATURE OF BUSINESS

No change in the nature of business of the Group is contemplated following the Share Offer.

HONG KONG STAMP DUTY

Dealings in Shares registered in the Hong Kong Share Register kept by the Company are subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the purchasing, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares, you should consult an expert. It is emphasised that none of the Company, the Joint Sponsors, any of their respective directors, agents, employees, advisers or affiliates or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the purchasing, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Share Offer, Platinum Securities, as stabilising manager, or any person acting for them (on behalf of the Underwriters and not as agent for the Company) may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Platinum Securities, its affiliates or any person acting for them to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of Platinum Securities, its affiliates or any person acting for them and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Share Offer, the Company intends to grant to the Placing Underwriters the Over-allotment Option, which is exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators on behalf of the Placing Underwriters, within a period commencing from the Listing Date and ending on the 30th day after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot up to an aggregate of 12,540,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Share Offer) at the Offer Price to cover, among other things, over-allocations in the Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed “Structure and conditions of the Share Offer — Over-allotment Option” and “Structure and conditions of the Share Offer — Stabilisation” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars, US dollars at specified rates. You should not construe these translations as representations that the RMB amounts could actually be, or have been, converted into Hong Kong dollar amounts and US dollar amounts (as applicable) at the rates indicated or at all. Unless indicated otherwise in this prospectus, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB1 to HK\$1.257, the PBOC rates prevailing as at the Latest Practicable Date.

ROUNDINGS

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Ms. Chan Chor Ling, Amy	Flat E, 31st Floor, Tower 3, Aqua Marine, 8 Sham Shing Road, Kowloon, Hong Kong	Chinese
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Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	Flat LC, 20th Floor, Block 2, Le Prestige, 1 Lohas Park Road, Tseung Kwan O, Hong Kong	Chinese
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Non-executive Directors

Mr. Lau Luen Hung, Thomas	G/F, Coombe Apt 15–17 Coombe Road, The Peak, Hong Kong	Canadian
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Mr. Wong Man Hoi	Flat C, 3/F, Tower 2, Harbour Green, Sham Mong Road, Tai Kok Tsui, Hong Kong	Chinese
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Independent non-executive Directors

Mr. Lam Siu Lun, Simon	Flat 15D Vienna Court, Realty Gardens, 41 Conduit Road, Hong Kong	British
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Mr. Robert Charles Nicholson	Flat 12, 1/F, Block C, Carolina Garden 28–30 Coombe Road, Hong Kong	British
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Mr. Wong Kun Kau	1/F, Hse A22, 88 Wong Ma Kok Road, Regalia Bay, Stanley, Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Joint Global Coordinators, Joint Sponsors, Joint Bookrunners and Joint Lead Managers	BNP Paribas Securities (Asia) Limited 59/F–63/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong Platinum Securities Company Limited 21/F LHT Tower 31 Queen's Road Central Hong Kong
Public Offer Underwriters	BNP Paribas Securities (Asia) Limited 59/F–63/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong Platinum Securities Company Limited 21/F LHT Tower 31 Queen's Road Central Hong Kong
Placing Underwriters	BNP Paribas Securities (Asia) Limited 59/F–63/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong Platinum Securities Company Limited 21/F LHT Tower 31 Queen's Road Central Hong Kong
Auditor and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Hong Kong
Legal advisers to the Company	<i>as to Hong Kong law:</i> Sit, Fung, Kwong & Shum 9th Floor, York House, The Landmark, 15 Queen's Road Central, Hong Kong <i>as to PRC law:</i> Zhong Lun Law Firm 36–37F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing 100022, People's Republic of China

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Commerce & Finance Law Offices
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Beijing 100022, People's Republic of China

Property valuer

CBRE Limited
4/F Three Exchange Square
8 Connaught Place
Central
Hong Kong

Receiving Banker

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarter and principal place of business in Hong Kong	20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong
Authorised representatives	Ms. Chan Chor Ling, Amy Flat E, 31st Floor, Tower 3, Aqua Marine, 8 Sham Shing Road Kowloon, Hong Kong, Mr. Poon Fuk Chuen 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong
Company secretary	Mr. Poon Fuk Chuen (<i>CPA</i>)
Audit committee	Mr. Lam Siu Lun, Simon (<i>Chairman</i>) Mr. Robert Charles Nicholson Mr. Wong Kun Kau
Remuneration committee	Mr. Lam Siu Lun, Simon (<i>Chairman</i>) Mr. Robert Charles Nicholson Mr. Wong Kun Kau
Nomination committee	Mr. Lau Luen Hung, Thomas (<i>Chairman</i>) Mr. Wong Man Hoi Mr. Lam Siu Lun, Simon Mr. Robert Charles Nicholson Mr. Wong Kun Kau
Compliance adviser	Platinum Securities Company Limited
Website of the Company	www.lifestyleproperties.com.hk *

CORPORATE INFORMATION

**Principal share registrar and
transfer office in the Cayman Islands**

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road,
George Town,
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

Principal banker

Bank of China (Hong Kong) Limited
1 Garden Road,
Central, Hong Kong

* *The contents of the website do not form part of this prospectus.*

INDUSTRY OVERVIEW

The information and statistics set out in this section and elsewhere in this prospectus relating to the relevant industries that affect the Group's business have been extracted from official government publications and sources. The Company has not independently verified such information or statistics. None of the Company, its directors or advisers or any other party involved in the Share Offer make any representation as to the accuracy or completeness of such information and statistics nor any underlying economic assumptions relied upon therein.

PRC ECONOMY

Overview

China has been experiencing significant economic growth in the last three decades after the PRC government adopted the open door policy in the late 1970s. Such economic growth further accelerated as a result of China's accession to the World Trade Organization in 2001. According to the China Statistical Yearbook 2012 and China Statistic Communiqué on the 2012 National Economic and Social Development compiled by the National Bureau of Statistics of China, China's GDP increased from approximately RMB26,581 billion in 2007 to approximately RMB51,932 billion in 2012, representing a CAGR of approximately 14.3% between 2007 and 2012. During such period, China became one of the fastest-growing economies in the world and the second largest economy globally in absolute terms. Meanwhile, GDP per capita in the PRC increased from approximately RMB20,169 to approximately RMB38,353 during the same period.

The following table sets forth selected annual data relating to the PRC economy for the periods indicated.

	2007	2008	2009	2010	2011	2012	2007-12 CAGR
Population (<i>million</i>)	1,321	1,328	1,335	1,341	1,347	1,354	0.5%
Nominal GDP (<i>RMB billion</i>)	26,581	31,405	34,090	40,151	47,310	51,932	14.3%
Real GDP growth (%)	14.2	9.6	9.2	10.4	9.3	7.8	—
GDP per capita (<i>RMB</i>)	20,169	23,708	25,608	29,992	34,998	38,353	13.7%
Consumer price index growth (%)	4.8	5.9	-0.7	3.3	5.4	2.6	—
Unemployment Rate (%)	4.0	4.2	4.3	4.1	4.1	4.1	—
Per capita disposable income of urban households (<i>RMB</i>)	13,786	15,781	17,175	19,109	21,810	24,565	12.2%
Foreign direct investment (<i>US\$ billion</i>)	75	92	90	106	116	112	8.4%
Fixed asset investment (<i>RMB billion</i>)	13,732	17,283	22,460	27,812	31,102	37,468	22.2%
Total imports and exports (<i>US\$ billion</i>)	2,177	2,563	2,208	2,974	3,642	3,867	12.2%
Per Capita Consumption Expenditure of Urban household (<i>RMB</i>)	9,998	11,243	12,265	13,472	15,161	15,532	9.2%

Sources:

(1) *China Statistical Yearbook 2012*

(2) *China Statistic Communiqué on the 2012 National Economic and Social Development*

INDUSTRY OVERVIEW

Shenyang

Shenyang is the capital city of Liaoning Province in the northeastern region of China with a population of approximately 7.2 million in 2011. Shenyang's GDP reached approximately RMB591.5 billion in 2011, representing a per capita GDP of approximately RMB72,637.0. The per capita annual disposable income of urban households in Shenyang increased from approximately RMB11,651.4 in 2006 to approximately RMB23,326.0 in 2011, representing a CAGR of approximately 14.9% during the period. The table below sets forth selected economic statistics of Shenyang for the periods indicated.

	2006	2007	2008	2009	2010	2011	2012	2006-11 CAGR
Population (<i>million</i>)	7.0	7.1	7.1	7.2	7.2	7.2	NA	0.5%
Nominal GDP (<i>RMB billion</i>)	252.0	322.1	386.1	426.9	501.7	591.5	NA	18.6%
Real GDP growth (%)	15.9	21.8	15.5	14.1	14.1	12.3	NA	—
GDP per capita (<i>RMB</i>)	35,940.0	45,582.0	54,248.0	54,654.0	63,667.0	72,637.0	NA	15.1%
Per capita disposable income								
of urban households (<i>RMB</i>)	11,651.4	14,606.5	17,013.1	18,474.6	20,541.0	23,326.0	NA	14.9%
Per capita consumption expenditure								
of urban households (<i>RMB</i>)	8,670.3	11,255.8	14,667.9	16,110.9	16,961.0	18,147.0	NA	15.9%

Source: Shenyang Statistic Bureau

Qingdao

Located at the eastern coast of China, Qingdao is a major city of Shandong Province with a population of approximately 7.7 million in 2012. Qingdao's GDP reached approximately RMB730.2 billion in 2012, representing a per capita GDP of approximately RMB94,886.8. The per capita annual disposable income of urban households in Qingdao increased from approximately RMB17,856.0 in 2007 to approximately RMB32,145.0 in 2012, representing a CAGR of approximately 12.5% during the period. The table below sets forth selected economic statistics of Qingdao for the periods indicated.

	2007	2008	2009	2010	2011	2012	2007-12 CAGR
Population (<i>million</i>)	7.6	7.6	7.6	7.6	7.7	7.7	0.3%
Nominal GDP (<i>RMB billion</i>)	375.0	440.2	485.4	566.6	661.6	730.2	14.3%
Real GDP growth (%)	15.5	13.2	12.2	12.9	11.7	10.6	—
GDP per capita (<i>RMB</i>)	44,964.0	52,266.0	57,251.0	65,827.0	85,922.1	94,886.8	16.1%
Per capita disposable income of							
urban households (<i>RMB</i>)	17,856.0	20,464.0	22,368.0	24,998.0	28,567.0	32,145.0	12.5%
Per capita consumption expenditure							
of urban households (<i>RMB</i>)	13,376.0	14,999.0	16,080.0	17,531.0	19,297.0	20,391.0	8.8%

Source: Qingdao Statistic Bureau

INDUSTRY OVERVIEW

Harbin

Harbin is the capital city of Heilongjiang Province in the northeastern region of China with a population of approximately 9.9 million in 2012. Harbin's GDP reached approximately RMB455.0 billion in 2012, representing a per capita GDP of approximately RMB45,810.0. The per capita annual disposable income of urban households in Harbin has increased from approximately RMB12,772.0 in 2007 to approximately RMB22,498.6 in 2012, representing a CAGR of approximately 12.0% during the period. The table below sets forth selected economic statistics of Harbin for the periods indicated.

	2007	2008	2009	2010	2011	2012	2007-12 CAGR
Population (<i>million</i>)	9.9	9.9	9.9	9.9	9.9	9.9	0.1%
Nominal GDP (<i>RMB billion</i>)	239.1	281.5	317.6	366.6	424.2	455.0	13.7%
Real GDP growth (%)	9.5	13.2	13.0	14.0	12.3	10.0	—
GDP per capita (<i>RMB</i>)	24,306.0	28,472.0	32,053.0	36,951.8	42,736.0	45,810.0	13.5%
Per capita disposable income of urban households (<i>RMB</i>)	12,772.0	14,588.6	15,887.0	17,556.8	20,030.6	22,498.6	12.0%
Per capita consumption expenditure of residents (<i>RMB</i>)	9,293.5	10,791.2	12,358.1	12,272.0	16,232.7	NA	NA

Source: Harbin Statistic Bureau

Tianjin

Located in the northern region of China, Tianjin is one of the four municipalities directly under the Central Government. With a population of approximately 14.1 million in 2012, Tianjin's GDP reached approximately RMB1,288.5 billion in 2012, representing a per capita GDP of approximately RMB91,180.6. The per capita annual disposable income of urban households in Tianjin increased from approximately RMB16,357.0 in 2007 to approximately RMB29,626.0 in 2012, representing a CAGR of approximately 12.6% during the period. The table below sets forth selected economic statistics of Tianjin for the periods indicated.

	2007	2008	2009	2010	2011	2012	2007-12 CAGR
Population (<i>million</i>)	11.2	11.8	12.3	13.0	13.5	14.1	4.9%
Nominal GDP (<i>RMB billion</i>)	525.3	671.9	752.2	922.4	1,130.7	1,288.5	19.7%
Real GDP growth (%)	15.5	16.5	16.5	17.4	16.4	13.8	—
GDP per capita (<i>RMB</i>)	47,970.0	58,656.0	62,574.0	72,994.0	85,213.0	91,180.6	13.7%
Per capita disposable income of urban households (<i>RMB</i>)	16,357.0	19,423.0	21,402.0	24,293.0	26,921.0	29,626.0	12.6%
Per capita consumption expenditure of Urban households (<i>RMB</i>)	12,029.0	13,422.0	14,801.0	16,562.0	18,424.0	20,024.0	10.7%

Source: Tianjin Statistic Bureau

INDUSTRY OVERVIEW

Hong Kong

Located at the southern coast of China, Hong Kong is one of the two Special Administrative Regions of China. With a population of approximately 7.2 million in 2012, Hong Kong's GDP reached approximately HK\$2,040.1 billion in 2012, representing a per capita GDP of approximately HK\$285,146.0. The table below sets forth selected economic statistics of Hong Kong for the periods indicated.

	2007	2008	2009	2010	2011	2012	2007-12 CAGR
Population (<i>million</i>)	6.9	7.0	7.0	7.1	7.1	7.2	0.7%
Nominal GDP (<i>HK\$ billion</i>)	1,615.6	1,677.0	1,622.3	1,743.9	1,823.0	2,040.1	4.8%
Real GDP growth (%)	6.4	2.3	-2.7	7.0	5.8	1.4	—
GDP per capita (<i>HK\$</i>)	233,266.0	240,339.0	231,638.0	246,733.0	266,026.0	285,146.0	4.1%

Sources:

(1) *China Statistical Yearbook 2012*

(2) *Hong Kong in Figures (2013 Edition)*

THE REAL ESTATE MARKET IN CHINA

Overview of the Real Estate Industry in China

The following table contains the selected statistics for the real estate market in China for the periods indicated:

	2007	2008	2009	2010	2011	2012	2007-12 CAGR
Investment in property development (<i>RMB billion</i>)	2,529	3,120	3,624	4,827	6,174	7,180	23.2%
Investment in residential properties (<i>RMB billion</i>)	1,801	2,244	2,561	3,404	4,431	4,937	22.3%
Total GFA sold (<i>sq.m. million</i>)	774	660	948	1,043	1,099	1,113	7.5%
GFA of residential properties sold (<i>sq.m. million</i>)	701	593	862	931	970	985	7.0%
Total sales revenue (<i>RMB billion</i>)	2,989	2,507	4,400	5,248	5,912	NA	NA
Sales revenue from residential properties (<i>RMB billion</i>)	2,557	2,120	3,815	4,409	4,862	NA	NA
Average price of commodity properties (<i>RMB per sq.m.</i>)	3,864	3,800	4,695	5,029	5,377	NA	NA
Average price of residential properties (<i>RMB per sq.m.</i>)	3,645	3,576	4,473	4,736	5,011	NA	NA

Sources:

(1) *China Statistical Yearbook 2012*

(2) *China Statistic Communiqué on the 2012 National Economic and Social Development*

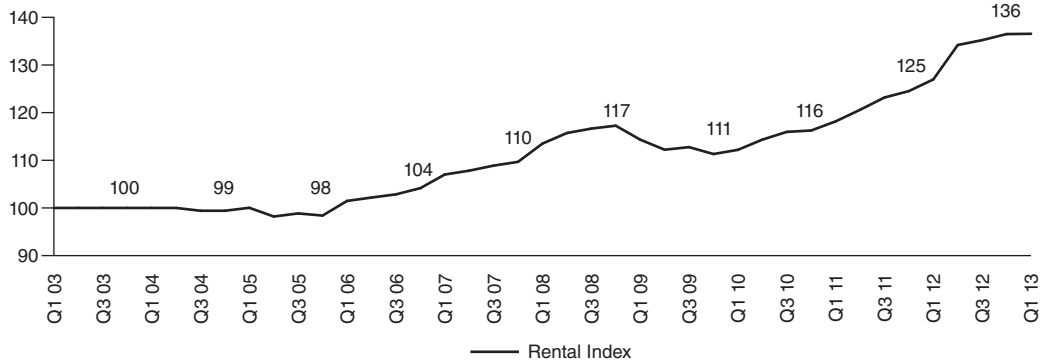
INDUSTRY OVERVIEW

Real Estate Market in Shenyang

According to the Shenyang Statistical Bureau, the total investment in real estate in Shenyang was RMB194.3 billion in 2012, representing an increase of approximately 15.3% from 2011. The housing construction area amounted to approximately 110.0 million sq.m., representing an increase of approximately 7.9% from 2011. The completed commodity housing area grew by approximately 14.2% from 2011 to approximately 20.7 million sq.m. in 2012. The GFA of commodity housing sold reached approximately 22.0 million sq.m. in 2012, an increase of approximately 13.0% from 2011.

The following chart shows the rental index for Shenyang prime office market for the periods indicated:

Shenyang Prime Office Market (Index Q1 03 = 100)

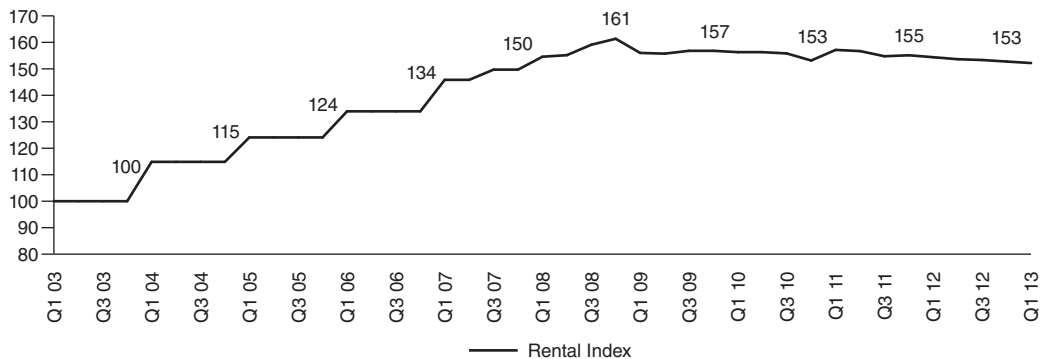


Source: CBRE

From the fourth quarter of 2010 to the fourth quarter of 2012, the Shenyang office rental index grew substantially, at a CAGR of 8.35%. However, most recently, rents appear to be flattening, as in the first quarter of 2013, the index grew by 7.5% year-on-year, but only by 0.4% quarter-on-quarter.

The following chart shows the prime ground floor rental index for Shenyang prime retail market for the periods indicated:

Shenyang Prime Retail Market (Index Q1 03 = 100)



Source: CBRE

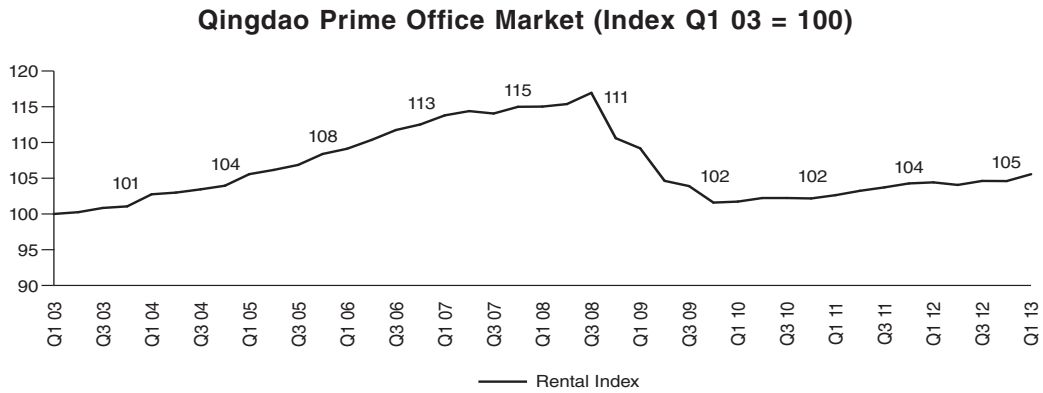
INDUSTRY OVERVIEW

In contrast to the office market, Shenyang's retail index has been experiencing a moderate decrease from the fourth quarter of 2010 to the fourth quarter of 2012, with a CAGR of -0.13%. In the first quarter of 2013, the rental index declined by 1.42% year-on-year and 0.37% quarter-on-quarter.

Real Estate Market in Qingdao

According to the Qingdao Statistical Bureau, the total investment in real estate in Qingdao was approximately RMB93.0 billion in 2012, representing an increase of approximately 18.8% from 2011. The completed commodity housing area decreased by approximately 33.7% from 2011 to approximately 12.1 million sq.m. in 2012. The GFA of commodity housing sold reached approximately 9.5 million sq.m. in 2012, a decrease of approximately 7.5% from 2011.

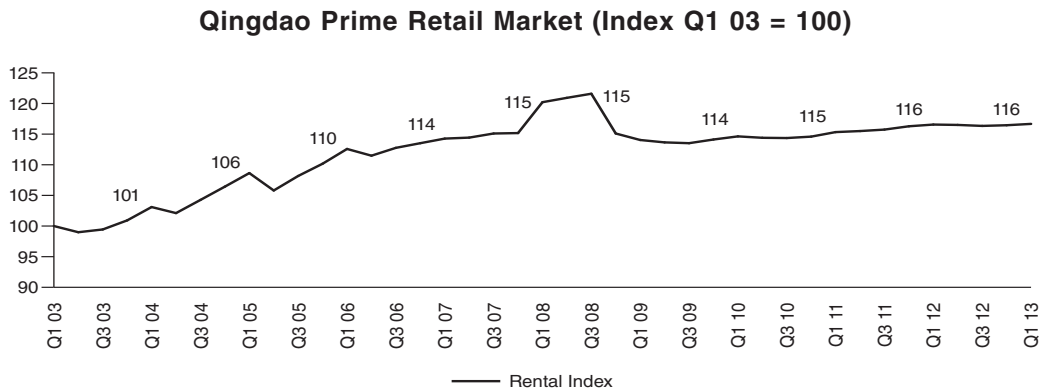
The following chart shows the rental index for Qingdao prime office market for the periods indicated:



Source: CBRE

Qingdao's office rental index experienced steady growth over the fourth quarter of 2010 to the fourth quarter of 2012, with a CAGR of 1.18%. In the first quarter of 2013, the index grew by 1.09% year-on-year, and 0.9% quarter-on-quarter.

The following chart shows the prime ground floor rental index for Qingdao prime retail market for the periods indicated:



Source: CBRE

INDUSTRY OVERVIEW

Qingdao's retail rental index was flat from the fourth quarter of 2010 to the fourth quarter of 2012, growing at a CAGR of just 0.81%. In the first quarter of 2013, the index increased by 0.09% year-on-year and 0.19% quarter-on-quarter.

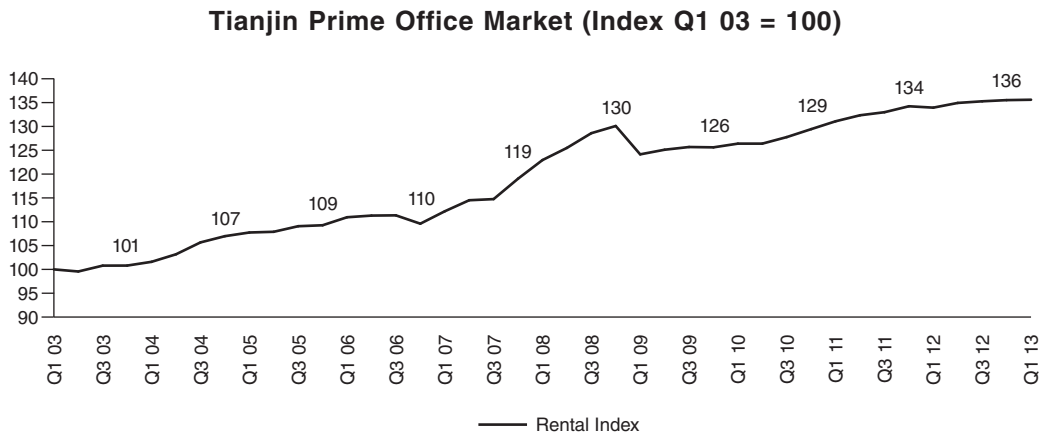
Real Estate Market in Harbin

According to the Harbin Statistical Bureau, the total investment in real estate in Harbin was approximately RMB77.2 billion in 2012, representing an increase of approximately 37.4% from 2011. The completed commodity housing area decreased by approximately 48.5% from 2011 to approximately 10.7 million sq.m. in 2012. The GFA of commodity housing sold reached approximately 11.7 million sq.m. in 2012, an increase of approximately 22.6% from 2011.

Real Estate Market in Tianjin

According to the Tianjin Statistical Bureau, the total investment in real estate in Tianjin was approximately RMB126.0 billion in 2012, representing an increase of approximately 16.7% from 2011. The GFA of commodity housing sold reached approximately 16.6 million sq.m. in 2012, an increase of approximately 4.2% from 2011.

The following chart shows the rental index for Tianjin prime office market for the periods indicated:

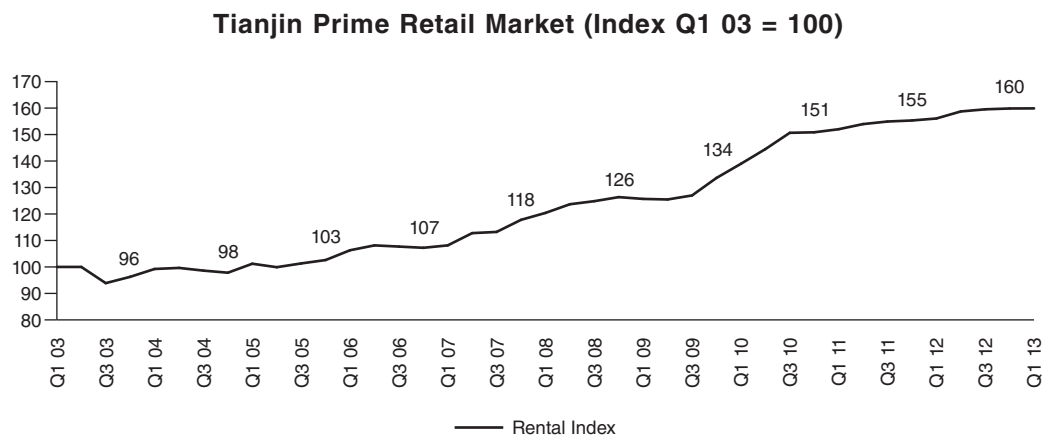


Source: CBRE

Over the past two years, Tianjin's office rental index saw flattening growth, with a CAGR of 2.33% from the fourth quarter of 2010 to the fourth quarter of 2012. In the first quarter of 2013, the index experienced a growth rate of 1.24% year-on-year and 0.06% quarter-on-quarter.

INDUSTRY OVERVIEW

The following chart shows the prime ground floor rental index for Tianjin prime retail market for the periods indicated:



Source: CBRE

Tianjin's retail rental index flattened out after a period of strong growth, growing at a CAGR of 2.94% from the fourth quarter of 2010 to the fourth quarter of 2012. In the first quarter of 2013, the index grew by 2.45% year-on-year and 0.03% quarter-on-quarter.

Real Estate Market in Hong Kong

According to the "Hong Kong in Figures (2013 Edition)", the GFA of private buildings completed in 2012 was approximately 1.40 million sq.m. in 2012, representing an increase of approximately 40.7% as compared in 2011.

The following table indicates the GFA of private buildings completed in Hong Kong for the periods indicated:

	2006	2007	2008	2009	2010	2011	2012
	<i>(in thousand sq.m.)</i>						
Residential	437	345	152	202	211	472	558
Residential/Commercial	308	151	275	277	446	—	—
Commercial	168	284	346	139	125	216	226
Industrial	29	15	82	3	35	129	197
Others	446	234	242	195	322	175	414
Total	1,388	1,029	1,097	816	1,139	991	1,395

Source:

(1) China Statistical Yearbook 2012

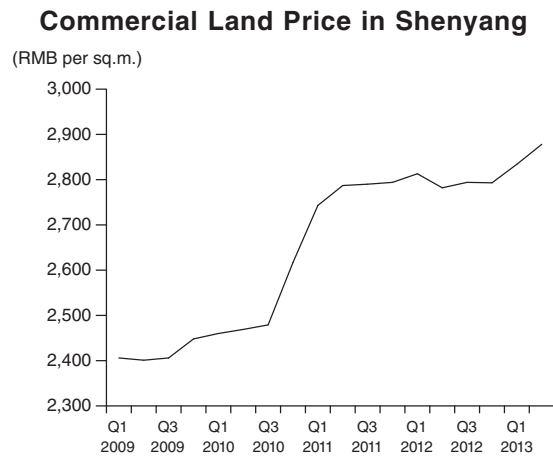
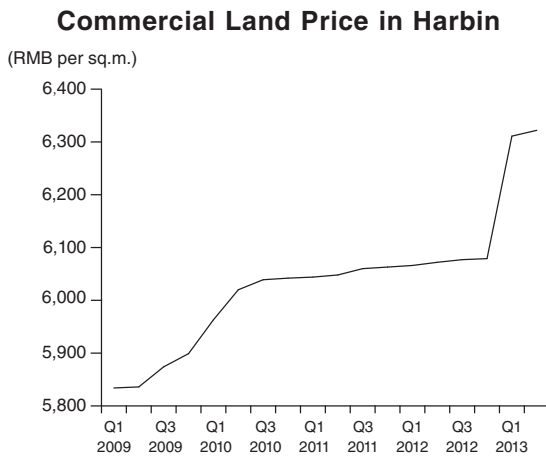
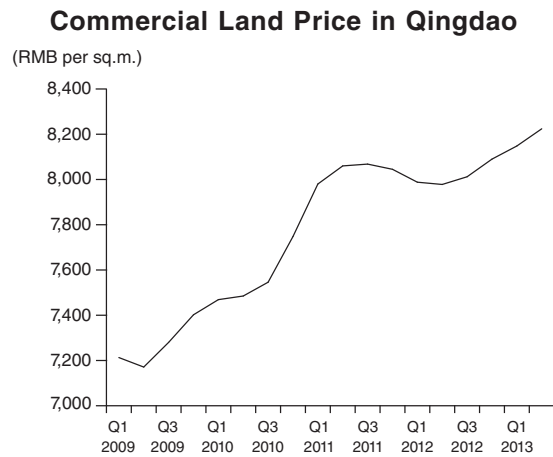
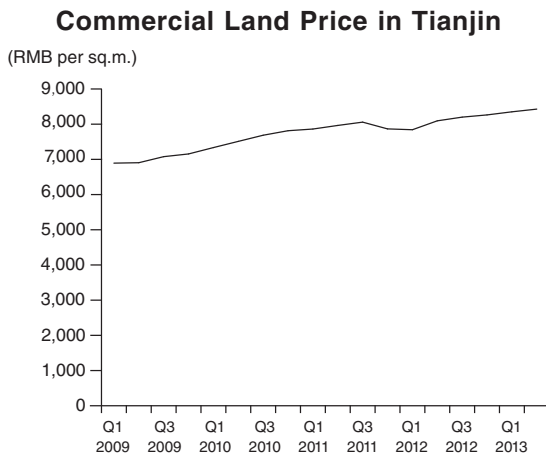
(2) Hong Kong in Figures (2013 Edition)

INDUSTRY OVERVIEW

Land Cost

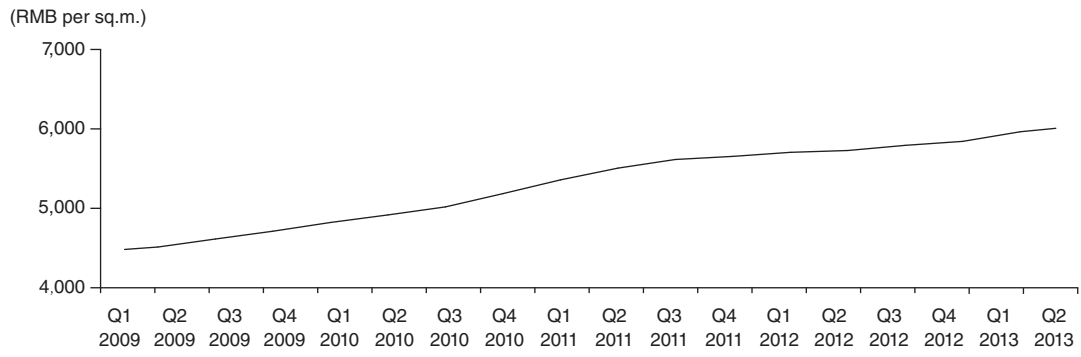
According to the land price data of major cities in China under China Urban Land Price Dynamic Monitor (中國城市地價動態監測) (the monitoring system as prepared by the Ministry of Land), in the second quarter of 2013 the commercial land price (on per sq.m. basis) in Tianjin, Qingdao, Harbin and Shenyang was at approximately RMB8,428, RMB8,224, RMB6,322 and RMB2,878 (per sq.m.) respectively. Meanwhile, the national average commercial land price, which includes 105 cities, was approximately RMB6,044 per sq.m. in the second quarter of 2013, representing a year-on-year increase of approximately 5.5%.

Commercial land price movements are set out in the following charts.



INDUSTRY OVERVIEW

Commercial Land Price — National Average



Source: China Urban Land Price Dynamic Monitor

REGULATORY OVERVIEW

REGULATORY OVERVIEW OF THE PRC PROPERTY INDUSTRY

Summaries of certain aspects of PRC laws and regulations which are relevant to the Group's business and the property industry in the PRC are set out in "Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions" to this prospectus. Set out below is an overview of the key regulations relating to the property industry in the PRC, many of which relate to the commercial property sector.

Land Acquisition

As all land in the PRC is either state-owned or collectively-owned, interests in land consist of land use rights, under which private parties (including individuals and corporate entities) may hold rights for investment or development purposes or transfer their interests to other parties. Individuals and corporate entities may acquire land use rights in a variety of ways, two of which being grants of land use rights from local land authorities and land transfers from land users who have already obtained land use rights. For further details of the land system in the PRC, please refer to the section headed "The Land System of the PRC" in "Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions" to this prospectus.

Under the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定), land to be used for the purposes of industrial use, commercial use, tourism, entertainment or commodity residential property development shall be granted by the government only by means of competitive bidding, public auction or listing-for-sale. This regulation also governs the process of public tender, auction or listing-for-sale.

In June 2003, the Ministry of Land and Resources promulgated the Regulation on Transfer of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights used for business purposes including commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. In accordance with the Opinion on the Work of Stabilising Housing Prices (關於做好穩定住房價格工作的意見) issued on 30 April 2005, (i) the local government should focus on ensuring the supply of low-to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) a 5% business tax would be levied from 1 June 2005 on the total revenue arising from any transfer by individuals of houses within two years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years from their initial purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold where such units have not obtained the relevant property ownership certificates.

Under the Notice on Adjusting the Housing Structure and Stabilising Housing Prices (關於調整住房供應結構穩定住房價格意見的通知) issued by the General Office of the State Council on 24 May 2006, at least 70% of the total development and construction area must consist of units of less than 90 square metres in size (with any exceptions requiring the approval of the Ministry of Construction).

REGULATORY OVERVIEW

On 23 May 2012, the Ministry of Land and Resources and NDRC promulgated the Catalogue of Restrictive Land Supply Items (2012 Version) (《限制用地項目目錄(2012年本)》) and Catalogue of Forbidden Land Supply Items (2012 Version) (《禁止用地項目目錄(2012年本)》). This catalogue provides that, the new office buildings of the Chinese Communist Party and government agencies, large-scale commercial or entertainment establishments, racing fields, motor vehicle training fields, burial grounds, large-sized housing projects are listed in the restrictive land supply items, and villas, golf courses, racing courses, and new, rebuilt or extended training centers of the Party and government agencies (including State-owned enterprises and institutional agencies) are classified as forbidden land supply items.

On 19 January 2007, the Ministry of Finance and State Taxation Administration issued a Notice about Implementing the Decision of the State Council on Amending the Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax (關於貫徹落實國務院關於修改《中華人民共和國城鎮土地使用稅暫行條例》的決定的通知). The notice increases the annual land use tax and imposes such land use tax on foreign-invested enterprises.

Under the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法) implemented on 1 January 2008, land without planning conditions cannot be granted. The developer needs to apply to urban and rural planning authorities of the city or county for the construction land planning permit after a grant contract of land use rights is executed. After execution of the land grant contract, the urban planning department cannot change the planning requirements under the land grant contract without authorisation. The development of projects must comply with the planning conditions. Within six months of the completion of projects, a developer needs to file documents with the urban and rural planning authorities.

Under the Notice on Strengthening the Administration of Land Assignment Revenues and Expenditures (關於進一步加強土地出讓收支管理的通知) issued by the Ministry of Finance, the Ministry of Land and Resources, PBOC, the Ministry of Supervision and the National Audit Office on 18 November 2009, land assignment revenues and expenditures shall be strictly included under local fund budget administration in full; the first payment shall not be less than 50% of the total land assignment price; land prices (rentals) shall be paid in a lump sum as and when they are due.

Under the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) issued by the General Office of the State Council on 7 January 2010, land resource authorities shall effectively increase the supply of social welfare housing and ordinary commodity residential properties, direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market and strengthen credit risk management for real estate projects and market supervision, etc. As for the payment of land premium, the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (關於加強房地產用地供應和監管有關問題的通知) issued by the Ministry of Land and Resources on 8 March 2010 requires real estate development enterprises to make a 50% down-payment of the land premiums within one month from the date of the land grant contract, and to make the rest of the payment within a year. Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the

REGULATORY OVERVIEW

Property Rights Law (中華人民共和國物權法), which was effective as of 1 October 2007, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws.

On 21 September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知). According to the Notice, developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct such as illegal transfer of land use rights; failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons and non-compliance with the land development requirements specified in land grant contracts. For further information on these regulations, please refer to the section headed "Grant of Land Use Rights" in "Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions" to this prospectus.

Under the Urban Real Estate Management Law of the PRC (中華人民共和國城市房地產管理法) implemented on 1 January 1995 and amended on 30 August 2007, real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. If land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) for housing construction projects, more than 25% of the total amount of development for investment must have been made or completed; and (iv) where the development or investment involves a tract of land, conditions for use of the land for industrial or other construction purpose have been achieved.

Pursuant to the policy measures formulated in the State Council executive meeting on 20 February 2013 for strengthening the regulation on real estate market, the PRC government has promulgated its latest policy to take measures to deter real estate purchase of speculative nature, to increase supply of ordinary commodity housing and land, to speed up the planning and construction of affordable housing projects, as well as to strengthen the real estate market supervision. Pursuant to the Notice on the Continual Improvement of the Control in Real Estate Market promulgated by the General Office of the State Council on 26 February 2013 (關於繼續做好房地產市場調控工作的通知, the "2013 Notice"), the measures to be taken include continuation of the strict implementation of measures on the restriction of purchase of commodity houses, continuation of strict implementation of different housing credit policies, continuation of supply of small to medium-sized ordinary properties and land, enhancement of the information system relating to house ownership, and imposition of individual income tax at the rate of 20% on the transfer income (as defined under the income tax and regulations) from sale of self-owned residential properties. The 2013 Notice also requires regional and other governmental department to set up measures to guard against risks of real estate developers' breach of contracts or illegal or non-compliance actions in the property investment and development. Subsequent to the issuance of the 2013 Notice, local governments (such as those in Beijing,

REGULATORY OVERVIEW

Shanghai, Shenzhen and Shenyang) have promulgated detailed measures to implement the 2013 Notice. Given that the above new policy measures under the 2013 Notice are mainly aimed at regulating residential property market, and the existing properties or project of the Group are commercial properties, the Directors believe that such new policy measures will not have a significant impact on the business and operations of the Group.

Demolition and Removal

The Regulation on Expropriation of and Compensation for Buildings on State-owned Land (國有土地上房屋徵收與補償條例) promulgated by the State Council and effective on 21 January 2011 provides that buildings on state-owned land can be expropriated for public interest reasons, and those owners of expropriated buildings which are located on state-owned land are entitled to fair indemnification. Where a building is expropriated according to law, the corresponding right to use the state-owned land shall be retracted at the same time. Compensation agreements regarding the compensation methods, compensation amount, payment terms and other relevant issues shall be entered into between those expropriated owners and the relevant PRC governmental authorities responsible for house expropriation. The compensation for the value of the expropriated building shall not be less than the market price of a property similar to the expropriated building on the date of announcement of the decision to expropriate the building. The value of the expropriated building shall be assessed by a qualified real estate price assessment institution according to the assessment measures for building expropriation. Indemnification shall be made prior to the relocation.

In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnification according to the report of the relevant PRC governmental authorities responsible for house expropriation and publish a government notice within the area of the expropriation. No enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Real estate development enterprises are prohibited from participating in relocation arrangement. For details, please refer to the section headed “Demolition and Removal of the Old Housing” in “Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus.

Idle Land

Idle land is mainly governed by the Measures on Disposing Idle Land (閒置土地處置辦法) enacted and enforced on 28 April 1999 and revised on 1 June 2012 by the Ministry of Land and Resources. According to the measures, land can be classified as idle land under, among others, the following circumstances: (i) where development and construction of the state-owned land for construction has not been commenced by the land user at the expiry of one year from the date of commencing the development and construction agreed or prescribed in the “Contract on Paid Use of the Right to Use State-Owned Land for Construction” (國有建設用地使用權有償使用合同) or the “Decision Letter on Allocation” (劃撥決定書); or (ii) the development and construction of the state-owned land for construction has been commenced but the area so developed and construed is less than one-third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction have been suspended for one year.

REGULATORY OVERVIEW

The competent land and resources authority at municipality or county level (the “**Competent Land and Resources Authority**”) is responsible for the investigation, ascertainment, organisation and implementation of disposal of the idle land. If the delay of commencing the development and construction is caused by the acts of government or other relevant government departments, after negotiating with the land user, the Competent Land and Resources Authority shall draft a proposal on the method of disposal of the idle land. The disposal proposal will be implemented after getting approved by the government at the same level of the Competent Land and Resources Authority. If the delay of commencing the development and construction is not caused by the acts of government or other relevant government departments, the idle land shall be disposed of in the following manner: (i) where the work has not been commenced for one year, the Competent Land and Resources Authority shall, upon approval of the government at the same level, issue a Decision Letter on Levy of Surcharge on the Idle Land (徵繳土地閒置費決定書) to the land user, and a surcharge on the idle land equivalent to a maximum of 20% of the grant or allocation premium may be levied; (ii) where the work has not been commenced for two years, the Competent Land and Resources Authority shall, pursuant to relevant regulations and upon approval of the government at the same level, issue a Decision Letter on Confiscation of Land Use Right of State-Owned Land for Construction (收回國有建設用地使用權決定書) to the land user, and the land can be confiscated without any compensation. For details, please refer to the section headed “Disposal of the Idle Land” in “Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus.

Leases of Buildings

Leasing of properties situated in urban areas has been governed by the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) since 1 February 2011. Pursuant to the measures, property owners are permitted to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. Leasing of buildings and the underlying land use rights shall not exceed 20 years. The lease agreement becomes effective upon signing, but must be registered with the relevant real estate administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant’s interest against claims from third parties.

On 30 July 2009, the Supreme People’s Court issued the Interpretation of Certain Issues concerning the Application of Law for Judging Disputes over Urban Building Leasing Contracts (關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋) which became effective on 1 September 2009. The interpretation clarifies that courts should not uphold the claim that a building leasing contract is invalid due to the failure of registration: if parties agreed to condition the effectiveness of the building leasing contract upon the registration, such agreement shall prevail, unless one party has performed its substantial obligations under the leasing contract and the other party has accepted such performance. For details, please refer to the section headed “Leases of Buildings” in “Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus.

REGULATORY OVERVIEW

Property Financing

In recent years, the PRC government promulgated various rules and policies to regulate real estate project financing, which may limit the foreign-owned real estate enterprises' ability to use bank loans to finance their property projects and therefore to maintain a relatively high level of sourced cash, for the business expansion in the PRC.

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

1. The loan by commercial banks to real estate development enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extend such loans as current capital loan for property development project or other loan item. 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 for Construction Works and Construction Permit for Construction Works;
2. Commercial banks shall not grant loans to real estate development enterprise to pay off land premium.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on 30 August 2004, any real estate development enterprise applying for property development loans shall have at least 35% of capital funds required for the development.

On 24 May 2006, the State Council forwarded the Opinion on Adjusting the Housing Supply Structure and Stabilising the Property Prices of the Ministry of Construction and Other Departments (關於調整住房供應結構穩定住房價格的意見). According to the regulations, commercial banks are not allowed to advance their loan facilities to real estate development enterprises which do not have the required 35% or more of the total capital fund for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate development enterprises which have a large number of idle lands and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer.

Under the Circular of the State Council on Saving Intensive-use Land (國務院關於促進節約集約用地的通知) which was enacted on 3 January 2008, with regard to the real estate projects of which development or construction exceeds one year from the start date stated 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.

REGULATORY OVERVIEW

The Notice on Financially Promoting the Economisation and Intensive Use of Land (關於金融促進節約集約用地的通知) jointly issued by PBOC and CBRC on 29 July 2008, among other things,

- restricts PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;
- regulates 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;
- restricts granting loans to the property developer, the land of which is idle for two years; and
- restricts taking idle land as a security for loans.

In accordance with the Notice Regarding Adjusting Capital Ratio of Fixed Assets Investment Project (關於調整固定資產投資項目資本金比例的通知) promulgated by the State Council on 25 May 2009, the minimum capital ratio for real estate development projects (other than low-income and ordinary commercial housing projects) has been reduced to 30%. When providing credit support and services, financial institutions shall carry out independent assessment to prevent financial risks and conduct comprehensive assessment and evaluation on the source of the capital, returns on investment and credit risks with reference to the capital ratio requirements promulgated by the state and the actual status of the borrower and the project, to independently decide whether to grant the loan and the specific amount and proportion of the loan.

On 7 January 2010, the General Office of the State Council issued the Circular on Promoting the Stable and Healthy Development of Real Estate Market (關於促進房地產市場持續健康發展的通知), pursuant to which financial institutions are required to strictly adhere to requirements regarding internal capital ratios for real estate projects, and are prohibited from advancing funds to developers or projects that do not satisfy the requirements under the credit policies in relation to real estate development.

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 was promulgated and enforced on 17 April 2010, provides that (1) 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 granted for the development of real estate development enterprises; and (2) with regard to real estate development enterprises that have left land idle and are involved in land speculation, commercial banks shall not grant loans for their new development projects, and the securities regulatory departments shall suspend the approval of their listing, re-financing and material assets restructuring.

REGULATORY OVERVIEW

On 29 September 2010, the PBOC and China Banking Regulatory Commission (“**CBRC**”) jointly issued the Notice on Issues Concerning the Improvement of Differential Housing Credit Policies (關於完善差別化住房信貸政策有關問題的通知), pursuant to which all commercial banks are required to suspend the granting of loans for new development projects and to suspend the extension of loans to any real estate 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 laws or regulations.

For details, please refer to the section headed “Property Financing” in “Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus.

Mortgage and Guarantee

The mortgage of real estate in the PRC is mainly governed by the Property Rights Law (中華人民共和國物權法), Security Law of the PRC (中華人民共和國擔保法), the Law of the PRC on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), or the Real Estate Law, the Regulation on Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法), the Real Estate Mortgage Regulation. 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 is 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. Buildings newly-erected on a piece of urban land after a mortgage contract has been entered into shall not be a mortgaged property. If the mortgaged property is auctioned off, the new buildings added on 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.

Sales/Pre-sales of Commodity Buildings

For units of a commodity building sold before completion under the Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法), 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. 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.

REGULATORY OVERVIEW

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 certain preconditions have been satisfied.

Ability to Obtain Offshore Financing

On 11 July 2006, the Ministry of Construction, the MOFCOM, NDRC, the PBOC, the State Administration of Industry and Commerce and SAFE jointly issued the Opinion on Regulating the Access and Management 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) (the “171 Opinion”). The 171 Opinion provides, among others, where a foreign-invested real estate enterprise fails to pay its registered capital in full amount or fails to obtain the Certificate for Use of State-owned Land, or its project development capital does not reach 35% of the amount of its total project investment, the enterprise shall not be permitted to apply for loans onshore or offshore, and the relevant foreign exchange control department shall not give approval to the enterprise for settlement of foreign exchange loans.

OVERVIEW OF RECENT GOVERNMENT POLICIES AND AUSTERITY MEASURES ON THE HONG KONG PROPERTY MARKET

Stamp duty regime

With the recovery of the local economy in the past few years coupled with the increasing demand for residential properties, the capital value of residential properties in Hong Kong has increased substantially during recent years. However, the sharp rise in capital value of properties led to the introduction of a series of governmental measures with a view to quenching speculative activities in the residential property market in Hong Kong, including the implementation of the special stamp duty regime in June 2011. In June 2011, the Stamp Duty (Amendment) Ordinance 2011 (Ordinance No. 14 of 2011) was enacted, pursuant to which a special stamp duty is imposed on disposal (which includes a resale or transfer) of residential properties in Hong Kong made within 24 months after its acquisition. The special stamp duty provisions came into effect retrospectively and were applicable to transactions occurring on or after 20 November 2010.

Further legislative proposals were announced by the Government of Hong Kong in October 2012 to amend the Stamp Duty Ordinance to adjust the rates of special stamp duty and to extend the property holding period in relation to the special stamp duty for any residential property acquired on or after 27 October 2012. For residential properties acquired on or after 27 October 2012 and resold within 36 months, the applicable amended rates of special stamp duty are proposed to be:

- (i) 20% if the property has been held for six months or less;
- (ii) 15% if the property has been held for more than six months but for 12 months or less;
and
- (iii) 10% if the property has been held for more than 12 months but for 36 months or less.

REGULATORY OVERVIEW

At the same time, the Government of Hong Kong also announced a proposal for the introduction of a buyer's stamp duty in addition to the existing stamp duty and special stamp duty (where applicable) for acquisitions of residential properties in Hong Kong by any person (including any limited company) except an individual who is a Hong Kong permanent resident. Under the buyer's stamp duty regime, unless the transaction falls under certain specified exemptions, residential properties acquired on or after 27 October 2012 by a non-Hong Kong permanent resident or any limited company is chargeable with buyer's stamp duty at a rate of 15% on the full stated consideration or the market value of the property, whichever is the higher.

The existing properties of the Group in Hong Kong are non-residential properties comprising various workshops and car parking spaces in HKIC. As the special stamp duty provisions, the proposed adjustment to the rates of special stamp duty and extension of the property holding period in relation to the special stamp duty and the proposed introduction of a buyer's stamp duty are mainly aimed at regulating residential property market, the Directors believe that such new policies and measures will not have any material negative impact on the market value of the existing properties of the Group in Hong Kong.

In February 2013, further proposals were announced by the Government of Hong Kong for the increase of rates of ad valorem stamp duty on transactions for residential and non-residential properties and to advance the charging of ad valorem stamp duty on non-residential property transactions from the conveyance on sale to the agreement for sale. Unless specifically exempted or excepted (which include acquisition of a residential property by a Hong Kong permanent resident who does not own any other residential property in Hong Kong at the time of acquisition), ad valorem stamp duty charged at the new rates is payable on an agreement for acquisition of any residential property or non-residential property executed on or after 23 February 2013. It is proposed that where the new rates of ad valorem stamp duty apply, both the buyer and the seller will be jointly and severally liable to pay the new rates. These measures were proposed to further address the overheated property market by further managing the demand for residential properties and combating short-term resale activities in respect of non-residential properties. These may have the effect of reducing market activities in the property market in Hong Kong and in turn affect the market value of the Group's properties in Hong Kong, which are non-residential properties, in the short run.

The above proposed amendments to the Stamp Duty Ordinance announced in October 2012 and February 2013 are subject to the final version of the amendment ordinance as enacted and gazetted.

Recent measures implemented by the Hong Kong Monetary Authority

Apart from policies introduced by the Government of Hong Kong, the measures implemented by the Hong Kong Monetary Authority may also affect the local property market. For example, since August 2010, the Hong Kong Monetary Authority has issued several circulars to authorized institutions, including registered banks in Hong Kong, requiring them to apply a lowered maximum loan-to-value ratio when granting residential property mortgage loans. In November 2010, the loan-to-value ratios were further tightened. The maximum loan-to-value ratio applicable to properties with a value at or above HK\$12 million was reduced from 60% (in August 2010) to 50%. The loan-to-value ratio for residential properties with a value of HK\$8

REGULATORY OVERVIEW

million or above, but below HK\$12 million was limited to 60%, subject to a maximum loan cap of HK\$6 million. The maximum loan-to-value ratio for residential properties with a value below HK\$8 million was maintained at 70%, subject to a maximum loan cap of HK\$4.8 million. The maximum loan-to-value ratio for properties (regardless of value) not intended to be occupied by owners was reduced from 60% (in August 2010) to 50%. Further, a maximum loan-to-value ratio of 50% (regardless of value) was introduced in respect of properties held by companies, commercial and industrial properties, and properties with mortgage loans based on a borrower's net worth.

In September 2012, in respect of mortgages for both residential and non-residential properties where mortgage applicants have outstanding borrowed or guaranteed property mortgage loans, the debt servicing ratio limit was lowered from 50% to 40% and the loan-to-value ratio limit was lowered to 30% for property mortgage loans assessed based on the net worth of mortgage applicants. Where the income of the mortgage applicant is derived mainly from outside Hong Kong, the applicable loan-to-value ratio was lowered by 10%.

The Hong Kong Monetary Authority issued a circular on 22 February 2013 pursuant to which, amongst other things, the loan-to-value ratio limit in respect of mortgage loans for non-residential properties was lowered by a further 10%. For example, for applicants with one or more outstanding properties under mortgage, (i) the loan-to-value ratio limit for mortgage applicants whose income is mainly derived in Hong Kong will be lowered from 50% to 40% in regard to commercial and industrial properties; (ii) the loan-to-value ratio limit for mortgage applicants whose income is mainly derived from outside Hong Kong will be lowered from 30% to 20% in regard to commercial and industrial properties; (iii) the maximum loan-to-value ratio limit for mortgage applicants whose income is mainly derived in Hong Kong and those whose income is mainly derived from outside Hong Kong is set to be 40% and 20% respectively for standalone car parking space and (iv) where loans are assessed based on the net worth of mortgage applicants, the loan-to-value ratio limit will be lowered from 30% to 20%. Banks adopt certain stress testing when they determine a mortgage applicant's ability to repay a loan and for this purpose, a certain percentage interest rate is assumed. Whilst the debt-to-service ratio limits remain unchanged, under the new policies as announced on 22 February 2013, the stress testing for debt servicing ability will now assume a threshold of at least 300 basis points as opposed to 200 basis points prior to the announcement. These measures lower the loan-to-value ratio limit and reduce the number of applicants eligible for mortgage loans which in turn increase the threshold for the purchase of properties in Hong Kong. These may have the effect of reducing market activities in the commercial property market in Hong Kong and in turn affect the market value of the Group's properties in Hong Kong, which are non-residential properties, in the short run.

CORPORATE HISTORY OF THE GROUP

Since 2006, during the course of expanding its department store business, the Parentco Group had the opportunities to build up a portfolio of properties not used in the operation of or related to the department store business of the Parentco Group, laying the foundation for the development of the Group. The major events that led to the evolution and development of the corporate structure of the Group are summarised as follows:

1. Establishment of Shenyang Yifu Property Company and acquisition of interests in the Yifu Land

Yifu Land was initially part of a larger piece of land, the land use right of which was acquired by the Parentco Group from the Shenyang Land Reserve Trading Centre in December 2006. In view of the proposed subdivision of such piece of land into Yifu Land and another piece of land which is currently being developed by the Remaining Parentco Group as the Jiuguang Shenyang Store, Silver Joy, which was incorporated in Hong Kong in February 2007, was acquired by the Parentco Group as a shelf company for the purpose of the proposed transaction in February 2007. Shenyang Yifu Property Company was then established in the PRC as a wholly foreign-owned enterprise in March 2007 with Silver Joy as the sole shareholder to hold the Parentco Group's interest in the Yifu Land. At the time of its establishment, the total investment amount and the registered capital of Shenyang Yifu Property Company were US\$50,000,000 and US\$25,000,000 respectively. After the increases of the registered capital and total investment amount in 2007, the total investment amount and the registered capital of Shenyang Yifu Property Company have become US\$149,980,000 and US\$74,990,000 respectively. The registered capital of Shenyang Yifu Property Company has been fully paid up.

Silver Joy and Shenyang Yifu Property Company had been the wholly-owned subsidiaries of Parentco since their respective incorporation up to completion of the Reorganisation. They became wholly-owned subsidiaries of the Company as a result of the Reorganisation.

According to the PRC Legal Advisers, the Group's development plan on Yifu Land falls within the permitted business scope under the relevant business license of Shenyang Yifu Property Company.

2. Acquisition of interests in Qingdao Property Company, Harbin Property Company and Tianjin Property Company and their properties

In July 2007, a formal sale and purchase agreement (which replaced the legally-binding heads of agreement in April 2007) was entered into between the Japan Vendor as vendor and Beauty Power (a wholly-owned subsidiary of the Parentco) in relation to the acquisition of the following equity interests:

- (a) 100% equity interest of Qingdao Property Company which then owned (and still currently owns) the Qingdao Property;

HISTORY AND DEVELOPMENT

- (b) 100% equity interest of Harbin Property Company which then owned (and still currently owns) the Harbin Property;
- (c) 97.5% equity interest of Tianjin Property Company which then owned the Tianjin Property; and
- (d) 100% equity interest of a company which then owned a retailing property located in Dalian, the PRC (the “**Dalian Property Company**”).

After the acquisition of the remaining 2.5% equity interest of the Tianjin Property Company by the Japan Vendor from another Independent Third Party, a supplemental agreement was entered into between Beauty Power as purchaser and the Japan Vendor as vendor in May 2008 in relation to the acquisition of such remaining equity interest of the Tianjin Property Company by Beauty Power.

Separate equity transfer agreements were entered into between subsidiaries of Beauty Power and the Japan Vendor in April and May 2008 for the transfer of the entire equity interest in each of the Qingdao Property Company, Harbin Property Company, Tianjin Property Company and Dalian Property Company. After the acquisition, the property held by Dalian Property Company was transformed into a Jiuguang department store. Dalian Property Company will not be injected into the Group under the Spin-off, and will remain as a member of the Remaining Parentco Group after the Spin-off.

In respect of the acquisition of interests in Qingdao Property Company, Harbin Property Company and Tianjin Property Company, approvals of such acquisition from relevant PRC authorities were obtained in May 2008. After that:

- (a) Qingdao Property Company became wholly-owned by Gold Target which was in turn wholly-owned by Sonic Plus;
- (b) Harbin Property Company became wholly-owned by Upper Vision which was in turn wholly-owned by Joyous Wing; and
- (c) Tianjin Property Company became wholly-owned by Ever Better which was in turn wholly-owned by Good Insight.

The purchase consideration for the acquisition of Qingdao Property Company, Harbin Property Company, Tianjin Property Company and Dalian Property Company as a package was arrived at after arm's length negotiations between the parties and was determined after taking into account the net asset value of such companies as at 31 December 2006, the independent valuation of the respective properties as at 5 April 2007 and the fact that it was a bundled transaction. The purchase consideration was also subject to a consideration adjustment mechanism based on the net asset value of such companies as at completion of the acquisition. The final purchase price was allocated to the acquisition of each of Qingdao Property Company, Harbin Property Company and Tianjin Property Company in the sum of RMB91.6 million (equivalent to approximately HK\$115.1 million), RMB69.7 million (equivalent to approximately HK\$87.6 million) and RMB288.4 million (equivalent to approximately HK\$362.5 million) respectively, by reference to the respective adjusted net

HISTORY AND DEVELOPMENT

asset value of the relevant companies, after taking into consideration of the respective valuation of the underlying properties. Independent valuation for Qingdao Property, Harbin Property and Tianjin Property as at 5 April 2007 was obtained for the acquisition of interests in Qingdao Property Company, Harbin Property Company and Tianjin Property Company.

The consideration for the acquisition was paid by Beauty Power partly by way of payment to its legal advisers as escrow agent upon completion of the acquisition on 30 May 2008 and partly by way of cash payment to the Japan Vendor on 19 September 2008. After completion of the acquisition, the Parentco Group has resolved (a) an alleged light blocking issue arising from certain portion of the Harbin Property and (b) a claim made by a main contractor against Harbin Property Company in connection with alleged non-payment of certain balance of the contract sum by Harbin Property Company. These two issues were known to the Parentco Group during the due diligence process prior to the acquisition, and were covered under the indemnity provisions of the sale and purchase agreement. As agreed between the Japan Vendor and Beauty Power, a sum of approximately US\$347,760 was paid to Parentco out of the escrow account in June 2013 in connection with the resolution of these two issues, and the remaining part of the consideration which was then held in escrow has been released to the Japan Vendor as agreed at different stages and the consideration for the acquisition has been settled. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no breach of warranties and indemnities have been identified by Beauty Power nor claims in such connection have been brought by Beauty Power against the Japan Vendor.

Gold Target, Upper Vision and Ever Better are companies incorporated in Hong Kong, whilst Sonic Plus, Joyous Wing and Good Insight are companies incorporated in BVI. All of these BVI and Hong Kong companies were held by Beauty Power and either formed or acquired in 2007 for the purpose of holding interests in Qingdao Property Company, Harbin Property Company and Tianjin Property Company respectively.

Each of Sonic Plus, Joyous Wing and Good Insight has been a wholly-owned subsidiary of Parentco since their respective incorporation up to completion of the Reorganisation. They became wholly-owned subsidiaries of the Company as a result of the Reorganisation.

Qingdao Property Company and Harbin Property Company became wholly-owned subsidiaries of the Company as a result of the Reorganisation, whilst Tianjin Property Company was disposed of by the Group in April 2013 as further elaborated in the paragraph headed "6. Disposal of interests in Tianjin Property Company" below.

Set forth below are the brief information of Qingdao Property Company and Harbin Property Company, being members of the Group, and Tianjin Property Company:

(a) Qingdao Property Company

Qingdao Property Company was initially a sino-foreign equity joint venture enterprise established in the PRC in December 1995 under the name of 青島伊都錦商廈有限公司 (Qingdao Itokin Commercial Building Co., Ltd.*) with total investment

HISTORY AND DEVELOPMENT

amount and the registered capital of RMB150,000,000 and RMB75,000,000 respectively. It became a wholly foreign-owned enterprise when the Japan Vendor became its sole equity owner in 2007. Upon the acquisition of the entire equity interest in Qingdao Property Company by the Parentco Group in mid-2008, its company name was changed to 嘉標商廈(青島)有限公司 (Lifestyle Plaza (Qingdao) Co., Limited*). As at the Latest Practicable Date, the total investment amount and registered capital of Qingdao Property Company were both RMB225,000,000, which registered capital has been fully paid up. The main asset of Qingdao Property Company is the Qingdao Property as at the Latest Practicable Date.

(b) Harbin Property Company

Harbin Property Company is a wholly foreign-owned enterprise established in the PRC in October 1995. At the time of its establishment, its name was 哈爾濱伊都錦實業有限公司 (Harbin Itokin Real Property Co., Ltd.*) with total investment amount and the registered capital of US\$25,000,000 and US\$12,500,000 respectively. Upon the acquisition of the entire equity interest in Harbin Property Company by the Parentco Group in mid-2008, its company name was changed to 哈爾濱利福商廈有限公司 (Harbin Lifu Commercial Building Co., Ltd.*). As at the Latest Practicable Date, Harbin Property Company had a total investment amount and registered capital of US\$25,000,000 and US\$18,000,000 respectively. The registered capital of Harbin Property Company has been fully paid up. The main asset of Harbin Property Company is the Harbin Property as at the Latest Practicable Date.

(c) Tianjin Property Company

Tianjin Property Company was initially a sino-foreign equity joint venture enterprise established in the PRC in August 1996 under the name of 天津伊都錦商廈有限公司 (Tianjin Itokin Commercial Building Co., Ltd.*) with total investment amount and the registered capital of US\$28,000,000 and US\$20,000,000 respectively. It became a wholly foreign-owned enterprise when the Japan Vendor became its sole equity owner in 2008. After the acquisition of the entire equity interest in Tianjin Property Company by the Parentco Group, its company name was changed to 利華佳商廈(天津)有限公司 (Li Hua Jia Commercial Building (Tianjin) Co., Limited*) in September 2009. The main asset of Tianjin Property Company was then the Tianjin Property.

3. Establishment of Gain High and acquisition and subsequent disposal of interests in properties in HKIC and a car parking space at Harbour Centre

In September 2007, Parentco Group granted a bridging loan in the amount of HK\$300 million (the “**Bridging Loan**”) to EganaGoldfeil (Holdings) Limited (which was then a company whose shares were listed on the Stock Exchange and which was subsequently delisted) (“**Egana**”) in connection with the Parentco Group’s participation in the financial restructuring of the Egana group. The granting of the Bridging Loan to Egana was legally permissible under the laws of Hong Kong, and it was secured by, among others, charges over a portfolio of properties of Egana located at HKIC, 489–491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (comprising thirteen workshops and six car

HISTORY AND DEVELOPMENT

parking spaces), together with a car parking space located at Harbour Centre, Tower 1, No. 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong (the “**Pledged Properties**”). Egana was subsequently in default of the Bridging Loan, and the power of sale under the charges was then exercised whereby the Pledged Properties were sold to Gain High at a total consideration of HK\$38,180,000, of which (a) HK\$30,000,000 was the aggregate consideration for workshops C3, C7, C9, C10, C11, C12, C13 and C14 on 11th Floor of Block C, workshop C3 on 12th Floor of Block C and car parking spaces no.106, 107, 108, 109, 110 and 111 on basement, HKIC, (b) HK\$7,800,000 was the consideration for workshops C5, C6, C7 and C8 on 12th Floor of Block C, HKIC and (c) HK\$380,000 was the consideration for the car parking space located at Harbour Centre, pursuant to three assignments executed in July 2009. The consideration was determined by reference to, among others, the valuation of the Pledged Properties as at 20 May 2009, and there is no breakdown for the individual consideration of the relevant Pledged Properties comprised in each of the three assignments. Consideration for the acquisition was fully settled upon completion of the acquisition on 2 July 2009. Gain High was incorporated in Hong Kong in 2009 and its entire issued share capital was held by Statevalue which was incorporated in BVI in the same year.

Amongst the Pledged Properties, one workshop and one car parking space were disposed of in 2010, three workshops and one car parking space were disposed of in 2011 and three workshops and three car parking spaces were disposed of in 2012 by Gain High to various Independent Third Parties, details of which are shown below:

Year	Relevant Pledged Properties	Consideration	Date of completion
2010	Workshop C14 on 11th Floor of Block C of HKIC	HK\$4,250,000	20 May 2010
	Car parking space no. 111 on basement of HKIC	HK\$700,000	5 January 2010
2011	Workshop C7 on 11th Floor of Block C of HKIC	HK\$4,522,000	6 May 2011
	Workshop C11 on 11th Floor of Block C of HKIC	HK\$3,800,000	29 April 2011
	Workshop C12 on 11th Floor of Block C of HKIC	HK\$4,480,000	3 June 2011
	Car parking space no. 106 on basement of HKIC	HK\$820,000	15 December 2011

HISTORY AND DEVELOPMENT

Year	Relevant Pledged Properties	Consideration	Date of completion
2012	Workshops C9 and C10 on 11th Floor of Block C of HKIC	HK\$16,500,000	20 December 2012
	Workshop C13 on 11th Floor of Block C of HKIC	HK\$5,135,700	17 May 2012
	Car parking space no. 109 on basement of HKIC	HK\$900,000	20 July 2012
	Car parking space no. 110 on basement of HKIC	HK\$850,000	29 June 2012
	Car parking space at Harbour Centre	HK\$480,000	15 March 2012

The consideration for each of the disposals as mentioned above was arrived at after arm's length negotiations between the parties after taking into account the market value of the relevant properties at the material time. Consideration for the disposals was fully settled upon completion of the respective disposals. Following such disposals, as at the Latest Practicable Date, the properties held by Gain High comprised six workshops and two car parking spaces at HKIC.

Statevalue and Gain High had been the wholly-owned subsidiaries of Parentco since the dates of their respective incorporation up to completion of the Reorganisation. They became wholly-owned subsidiaries of the Company as a result of the Reorganisation.

4. Acquisition of interests in Shenyang Jiajian

In November 2006, a loan agreement was entered into between a wholly-owned subsidiary of Parentco as lender and an Independent Third Party (the "**Shenyang Jiajian Vendor**") as borrower (as amended and supplemented subsequently), whereby a loan facility of up to HK\$250,000,000 was made available to the Shenyang Jiajian Vendor. The purposes of the said loan facility were (i) to finance the payment of the consideration payable by the Shenyang Jiajian Vendor to the then shareholder of Leadplus BVI, an Independent Third Party, for the purchase of the entire issued share capital of and the shareholder's loans due from Leadplus BVI; and (ii) for onward lending by the Shenyang Jiajian Vendor to Leadplus BVI which would in turn inject the same into Shenyang Jiajian to, inter alia, finance the acquisition of Sun Plaza. To the best knowledge of the Directors from the recitals as stated in the said loan agreement, the total consideration payable by the Shenyang Jiajian Vendor to the then shareholder of Leadplus BVI for the purchase of the entire issued share capital of Leadplus BVI and the shareholder's loans then owed by Leadplus BVI to the then shareholder of Leadplus BVI amounted to HK\$55,660,226. In connection with this loan facility, Joyful Cheer was granted an option by the Shenyang Jiajian Vendor to acquire the entire issued share capital of and the shareholder's loans due from Leadplus BVI.

HISTORY AND DEVELOPMENT

Leadplus BVI was a company incorporated in BVI in March 2006, whereas Shenyang Jiajian was established in the PRC as a wholly foreign-owned enterprise in June 2006 whose entire equity interest was then owned by Leadplus BVI. Leadplus BVI was initially owned by an Independent Third Party at that time.

Joyful Cheer was incorporated in Hong Kong in October 2006 and had been a wholly-owned subsidiary of Parentco since it was acquired by the Parentco Group for the purpose of holding the option granted by the Shenyang Jiajian Vendor as mentioned above up to completion of the Reorganisation. It became a wholly-owned subsidiary of the Company as a result of the Reorganisation.

In March 2008, Leadplus HK was incorporated in Hong Kong with limited liability by Leadplus BVI as subscriber and became a wholly-owned subsidiary of Leadplus BVI. Following the incorporation of Leadplus HK, Leadplus BVI transferred all its equity interest in Shenyang Jiajian to Leadplus HK at a consideration of US\$20,000,000 after which Shenyang Jiajian was indirectly held by Leadplus BVI through Leadplus HK.

In December 2009, instead of exercising the option granted by the Shenyang Jiajian Vendor to Joyful Cheer as mentioned above, Joyful Cheer acquired the entire issued share capital in and loans to Leadplus BVI from the Shenyang Jiajian Vendor, at a total consideration of HK\$282,835,391.99 pursuant to a sale and purchase agreement entered into between the Shenyang Jiajian Vendor and Joyful Cheer. Of the said consideration, HK\$269,835,391.99 was offset by the outstanding amount owing by the Shenyang Jiajian Vendor to the Parentco Group under the loan facility. The consideration was determined after arm's length negotiation between the parties and with reference to, among other matter, the face value of shareholder's loan subsisting at the date of the sale and purchase agreement and the valuation of Sun Plaza. The entire issued share capital in Leadplus BVI was legally transferred to Joyful Cheer in December 2009 and the consideration for the acquisition has been fully settled by Joyful Cheer upon completion of the acquisition on 24 December 2009.

After the acquisition of Leadplus BVI, Joyful Cheer became indirectly interested in Sun Plaza with 100% attributable interest. Sun Plaza was under construction and held by the Group as investment property before the disposal of 90% equity interest in Shenyang Jiajian by the Group as elaborated in the paragraph headed "5. Disposal of 90% interests in Shenyang Jiajian" below.

5. Disposal of 90% interests in Shenyang Jiajian

In June 2011, an agreement was entered into between Leadplus HK as vendor and 瀋陽佳建投資有限公司 (Shenyang Jiajian Investment Company Limited*), an Independent Third Party ("**Shenyang Jiajian Purchaser**"), as purchaser in relation to the disposal of 90% equity interest in Shenyang Jiajian by Leadplus HK. The consideration of RMB540.0 million (equivalent to approximately HK\$678.8 million) payable in cash was determined after arm's length negotiation between the parties based on normal commercial terms and with reference to the net asset value of Shenyang Jiajian as per its unaudited financial statements as at 30 April 2011 and the latest market value of Sun Plaza available at the

HISTORY AND DEVELOPMENT

time. The Group decided to dispose of 90% equity interest in Shenyang Jiajian as the consideration offered by Shenyang Jiajian Purchaser was considered attractive and the disposal would also generate a rather sizable amount of cash to the Group.

After completion of such disposal in October 2011, the Group's interest in Shenyang Jiajian (which currently owns Sun Plaza) was reduced to 10%. The 90% equity interest in Shenyang Jiajian has been legally transferred to Shenyang Jiajian Purchaser and all necessary approvals in relation to the transfer have been obtained from the relevant PRC authorities and the consideration therefor has been fully settled by Shenyang Jiajian Purchaser on 10 October 2011. As at the Latest Practicable Date, the total investment amount and the registered capital of Shenyang Jiajian were RMB505,000,000 and RMB277,500,000 respectively and the Group has fully paid up its contribution of registered capital attributable to its 10% equity interest in Shenyang Jiajian. Sun Plaza is still under construction but a permit for pre-sale has been obtained from the relevant PRC authorities and pre-sale has commenced as at the Latest Practicable Date.

6. Disposal of interests in Tianjin Property Company

On 31 December 2012, an agreement was entered into between Ever Better as vendor and TJ Property Purchaser as purchaser in relation to the disposal of 100% equity interest in Tianjin Property Company by Ever Better. The consideration for the disposal of the equity interest was RMB445,887,291.66 (equivalent to approximately HK\$560.5 million) which was payable in cash. Pursuant to the terms of the agreement, TJ Property Purchaser also agreed to provide funding to, and procure, Tianjin Property Company to repay certain entrusted loans (inclusive of both principal and interests) of a total sum of approximately RMB99.1 million (equivalent to approximately HK\$124.6 million) owed to the Remaining Parentco Group as at 31 December 2012. The said consideration, together with the entrusted loans owed by Tianjin Property Company to the Remaining Parentco Group as at 31 December 2012, have been paid or are payable in the following manner:

- (i) upon signing of the TJ Disposal Agreement, the first sum of RMB30 million was paid;
- (ii) the second sum of RMB79 million was paid on 30 January 2013;
- (iii) the third sum of RMB163.5 million was paid to Ever Better on 25 April 2013 (being the date of submission to, and receipt of the necessary document by, the relevant AIC of the PRC in respect of the transfer of the entire equity interests in Tianjin Property Company pursuant to the TJ Disposal Agreement) (the "**Application Date**") by way of (a) TJ Property Purchaser having provided funding to Tianjin Property Company to repay the entrusted loans of approximately RMB99.1 million as at 31 December 2012 (which was fully repaid to the Remaining Parentco Group on 25 April 2013), (b) TJ Property Purchaser having withheld and paid enterprise income tax amounting to approximately RMB15.2 million payable by Ever Better resulting from the disposal and (c) the payment of approximately RMB46.7 million (being the difference between RMB163.5 million and items (a) and (b) above, less RMB2.0 million which was

HISTORY AND DEVELOPMENT

withheld by TJ Property Purchaser as mentioned below and the interests of approximately RMB0.5 million accrued on the entrusted loans from 1 January to 25 April 2013 respectively); and

- (iv) the remaining sum of RMB272.5 million would be payable to Ever Better within 9 months from the Application Date (in other words, on or before 25 January 2014).

During the period between the date of completion and the date when the final instalment was paid by the TJ Property Purchaser, the TJ Property Purchaser might request Ever Better to provide consultancy services to Tianjin Property Company at the costs of the TJ Property Purchaser.

Under the TJ Disposal Agreement, completion will take place on the date when all the conditions in the TJ Disposal Agreement have been fulfilled or otherwise waived, which shall be on the Application Date (or such other date as agreed between the parties). Completion of the TJ Disposal Agreement eventually took place on the Application Date. Upon completion of such disposal, TJ Property Purchaser also procured Tianjin Property Company to pay the interest accrued on the principal amount of such entrusted loans for the period from 1 January 2013 to the date of completion (both dates inclusive). Pursuant to the TJ Disposal Agreement, at completion and after repayment of the entrusted loans owed to the Remaining Parentco Group, the Tianjin Property Company should not have any net current liabilities. Accordingly, a net sum of approximately RMB4.4 million was paid by the Group in favour of the TJ Property Purchaser as an adjustment to fulfill the zero net current liability requirement of the Tianjin Property Company at completion.

The consideration was determined after arm's length negotiation between the parties based on normal commercial terms and having taken into account, among others, the then indicative market value of Tianjin Property provided by CBRE (being the value of approximately HK\$473.1 million as of 30 September 2012). Since the implied valuation of the Tianjin Property based on the offer received from the TJ Property Purchaser was higher than the preliminary valuation provided by CBRE as at 30 September 2012, the Group considered that the opportunity offered by the TJ Property Purchaser was attractive.

Tianjin Property was valued at approximately HK\$472.4 million as at 30 November 2011. The Group considered that the consideration offered by TJ Property Purchaser (together with the funding provided by TJ Property Purchaser for the repayment of certain entrusted loan owed by Tianjin Property Company to the Remaining Parentco Group) met the expectation of the Group and the disposal under the TJ Disposal Agreement would also generate a rather sizable amount of cash to the Group. It is also intended that the net proceeds from such disposal will be used for developing its existing project on Yifu Land and general working capital of the Group.

After completion of such disposal on 25 April 2013, the Group ceased to have any equity interest in Tianjin Property Company. The 100% equity interest in Tianjin Property Company has been legally transferred to TJ Property Purchaser and all necessary approvals in relation to the transfer have been obtained from the relevant PRC authorities. As at the Latest Practicable Date, an amount of RMB2.0 million (representing part of the

HISTORY AND DEVELOPMENT

consideration payable by TJ Property Purchaser) was withheld by TJ Property Purchaser. Subject to any deduction for satisfying any liability of Ever Better arising under the sale and purchase of the Tianjin Property Company, such withheld amount will be released to Ever Better on 25 April 2014. The remaining consideration of RMB272.5 million was still outstanding as at the Latest Practicable Date. Save as disclosed above, the consideration payable by TJ Property Purchaser to Ever Better for the transfer of the equity interest in Tianjin Property Company has been settled.

Under the TJ Disposal Agreement, the remaining consideration in the sum of RMB272.5 million shall be settled by TJ Property Purchaser on or before 25 January 2014. In order to secure payment of such remaining consideration, TJ Property Purchaser has also provided Ever Better with an irrevocable bank guarantee pursuant to the TJ Disposal Agreement.

BUSINESS MILESTONES

The table below sets out the business milestones of the Group:

Year	Milestones
2007	Acquisition of interest in Tianjin Property, Harbin Property and Qingdao Property
2009	Acquisition of workshops and carparking spaces in HKIC and a car parking space at Harbour Centre Acquisition of interest in Sun Plaza
2010	Completion of the renovation work at Tianjin Property and the leasing out of retail spaces at Tianjin Property to tenants
2011	Disposal of 90% interest in Sun Plaza Yifu Land Grant Contract was entered into whereby the Group became entitled to land use right in respect of Yifu Land for a term of 40 years commencing from 27 December 2011
2013	Disposal of interest in Tianjin Property

For details of the above properties, please refer to the sub-section headed “Property and property related interests” under the section headed “Business” in this prospectus.

As the Group was part of the Parentco Group immediately prior to the Spin-off, the development and the acquisitions of the Group during the Track Record Period were mainly financed by funding provided by the Remaining Parentco Group and a banking facility made available to the Group guaranteed by Parentco. Such banking facility was mainly used for financing the cost of renovation of Tianjin Property and was terminated in early 2012.

REORGANISATION

GENERAL

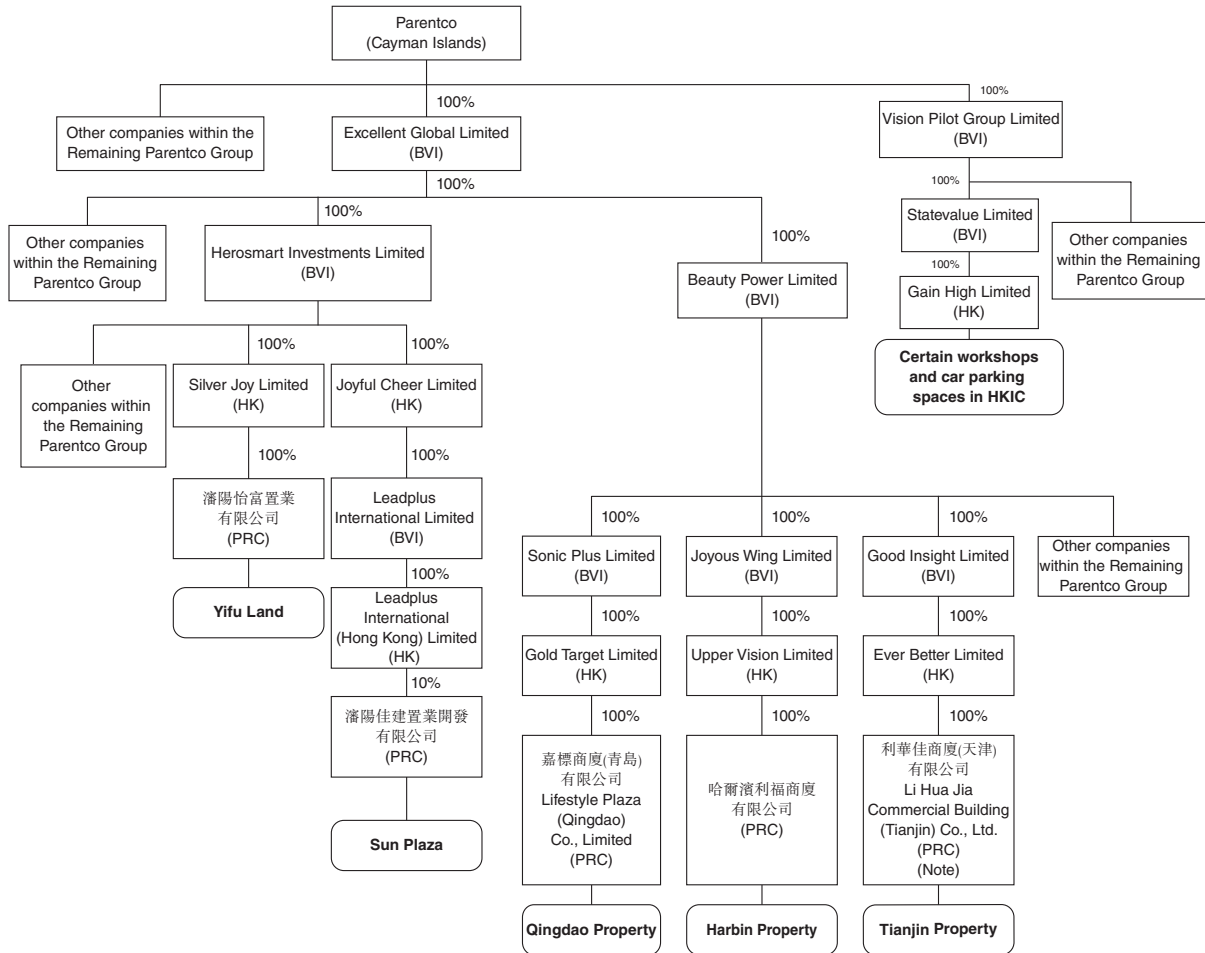
In contemplation of the Listing, members of the Group have undergone certain restructuring steps whereby a coherent corporate structure of the Group has been established in preparation for the Listing. The Reorganisation involved the following principal steps:

1. Incorporation of Total Prestige and Swift Rich;
2. Incorporation of the Company;
3. Transfer by Parentco to the Company of the entire issued share capital of Total Prestige;
4. Transfer by Herosmart to Swift Rich of the entire issued share capital of Silver Joy;
5. Incorporation of Forth Soar and City Vision;
6. Incorporation of Lifestyle Properties Services;
7. Establishment of Lichen Company in the PRC;
8. Transfer by Herosmart to Swift Rich of the entire issued share capital of Joyful Cheer;
9. Transfer by Beauty Power to Total Prestige of (a) the entire issued share capital of Sonic Plus and (b) benefits of a loan owed by Sonic Plus to Beauty Power;
10. Transfer by Beauty Power to Total Prestige of (a) the entire issued share capital of Joyous Wing and (b) benefits of a loan owed by Joyous Wing to Beauty Power;
11. Transfer by Beauty Power to Total Prestige of (a) the entire issued share capital of Good Insight and (b) benefits of a loan owed by Good Insight to Beauty Power;
12. Transfer by Vision Pilot to Total Prestige of the entire issued share capital of Statevalue;
13. Subdivision of shares and increase of the authorised share capital of the Company;
and
14. Issue of new Shares to Parentco by way of capitalisation of the share premium account of the Company.

REORGANISATION

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

Set out below is the shareholding structure of the Group immediately prior to the Reorganisation:



Note: Tianjin Property Company was subsequently disposed of by Ever Better to TJ Property Purchaser in April 2013. For details of the disposal, please refer to the paragraph headed “Corporate History of the Group — 6. Disposal of interests in Tianjin Property Company” in the section headed “History and Development” in this prospectus.

DETAILED PROCEDURES

For the purpose of Listing, the following Reorganisation steps have been taken:

1. Incorporation of Total Prestige and Swift Rich

On 18 November 2011, Total Prestige was incorporated in the BVI and authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 12 December 2011, one share in Total Prestige was allotted and issued to Parentco for cash at par.

REORGANISATION

On 11 November 2011, Swift Rich was incorporated in the BVI and authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 12 December 2011, one share in Swift Rich was allotted and issued to Total Prestige for cash at par.

2. Incorporation of the Company

On 5 January 2012, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK\$380,000 divided into 380,000 shares of HK\$1.00 each. One share of HK\$1.00 in the Company was issued to the initial subscriber, Codan Trust Company (Cayman) Limited, for cash at par on 5 January 2012, which subscriber share was then transferred to Parentco at par on the same date.

3. Transfer by Parentco to the Company of the entire issued share capital of Total Prestige

On 9 July 2012, the Company acquired the entire issued share capital of Total Prestige from Parentco for a cash consideration of US\$1.00.

4. Transfer by Herosmart to Swift Rich of the entire issued share capital of Silver Joy

On 11 July 2012, Swift Rich acquired from Herosmart the entire issued share capital of Silver Joy for a consideration of HK\$1.00, which consideration was satisfied by way of the Company allotting and issuing one share of par value of HK\$1.00, credited as fully paid, to Parentco in accordance with the direction of Herosmart. In consideration of the issue of such new share by the Company to satisfy the transfer consideration on behalf of Swift Rich, Swift Rich was deemed to be indebted to the Company an amount equivalent to the transfer consideration.

5. Incorporation of Forth Soar and City Vision

On 13 August 2012, Forth Soar was incorporated in BVI and authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 5 September 2012, one share in Forth Soar was allotted and issued to Total Prestige for cash at par.

On 10 August 2012, City Vision was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 10 August 2012, one share of HK\$1.00 in City Vision was allotted and issued to the founder member, Ready-Made Company Limited, for cash at par, which share was then transferred to Forth Soar at par on 5 September 2012.

REORGANISATION

6. Incorporation of Lifestyle Properties Services

On 12 November 2012, Lifestyle Properties Services was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 12 November 2012, 1 share of HK\$1.00 in Lifestyle Properties Services was allotted and issued to the founder member, Ready-Made Company Limited, for cash at par, which share was later transferred to Forth Soar at par on 15 November 2012.

Lifestyle Properties Services was a new company formed for the purpose of making new applications for the registration of certain trademarks in the PRC. For details of such applications, please refer to paragraph 2. A(ii) “Intellectual Property — Trademarks” of the section headed “B. Further information about the business” in Appendix VI “Statutory and General Information” in this prospectus.

7. Establishment of Lichen Company in the PRC

On 18 December 2012, Lichen Company was established in the PRC with a registered capital of RMB2,000,000, RMB307,359.20 of which was paid up by City Vision on 14 March 2013. The remaining amount of the registered capital is required to be contributed by City Vision within 24 months after the establishment of Lichen Company.

8. Transfer by Herosmart to Swift Rich of the entire issued share capital of Joyful Cheer

On 9 August 2013, Swift Rich acquired from Herosmart the entire issued share capital of Joyful Cheer for a consideration of HK\$1.

9. Transfer by Beauty Power to Total Prestige of (a) the entire issued share capital of Sonic Plus and (b) benefits of a loan owed by Sonic Plus to Beauty Power

On 14 August 2013, Total Prestige acquired from Beauty Power the entire issued share capital of Sonic Plus and benefits of a loan owed by Sonic Plus to Beauty Power in the sum of HK\$109,928,431.37 for a consideration of HK\$109,928,439.17, which consideration was satisfied by way of the Company allotting and issuing 1,000 shares of par value of HK\$1.00 each, all credited as fully paid, to Parentco in accordance with the direction of Beauty Power. In consideration of the issue of such 1,000 new shares by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.

10. Transfer by Beauty Power to Total Prestige of (a) the entire issued share capital of Joyous Wing and (b) benefits of a loan owed by Joyous Wing to Beauty Power

On 14 August 2013, Total Prestige acquired from Beauty Power the entire issued share capital of Joyous Wing and benefits of a loan owed by Joyous Wing to Beauty Power in the sum of HK\$141,122,956.74 for a consideration of HK\$141,122,964.54, which consideration was satisfied by way of the Company allotting and issuing 1,000 shares of

REORGANISATION

par value of HK\$1.00 each, all credited as fully paid, to Parentco in accordance with the direction of Beauty Power. In consideration of the issue of such 1,000 new shares by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.

11. Transfer by Beauty Power to Total Prestige of (a) the entire issued share capital of Good Insight and (b) benefits of a loan owed by Good Insight to Beauty Power

On 14 August 2013, Total Prestige acquired from Beauty Power the entire issued share capital of Good Insight and benefits of a loan owed by Good Insight to Beauty Power in the sum of HK\$774,689,922.11 for a consideration of HK\$774,689,929.91, which consideration was satisfied by way of the Company allotting and issuing 7,000 shares having a par value of HK\$1.00 each, all credited as fully paid, to Parentco in accordance with the direction of Beauty Power. In consideration of the issue of such 7,000 new shares by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.

Good Insight owns the entire issued share capital of Ever Better. Ever Better was the owner of the entire equity interest in Tianjin Property Company (the owner of the Tianjin Property), which interest in Tianjin Property Company was subsequently disposed of by Ever Better to TJ Property Purchaser in April 2013. For details of the disposal, please refer to the paragraph headed “Corporate History of the Group — 6. Disposal of interests in Tianjin Property Company” in the section headed “History and Development” in this prospectus.

12. Transfer by Vision Pilot to Total Prestige of the entire issued share capital of Statevalue

On 14 August 2013, Total Prestige acquired from Vision Pilot the entire issued share capital of Statevalue for a consideration of HK\$7.8, which consideration was satisfied by way of the Company allotting and issuing 1 share having a par value of HK\$1.00, credited as fully paid, to Parentco in accordance with the direction of Vision Pilot. In consideration of the issue of such 1 new share by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.

13. Subdivision of shares and increase of the authorised share capital of the Company

On 20 August 2013, each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company was subdivided into 10 shares of par value of HK\$0.10 each so that following such share subdivision the share capital of the Company comprised 90,030 issued shares and 3,709,970 unissued shares of HK\$0.10 each, and the authorised share capital of the Company was then further increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional 1,996,200,000 Shares.

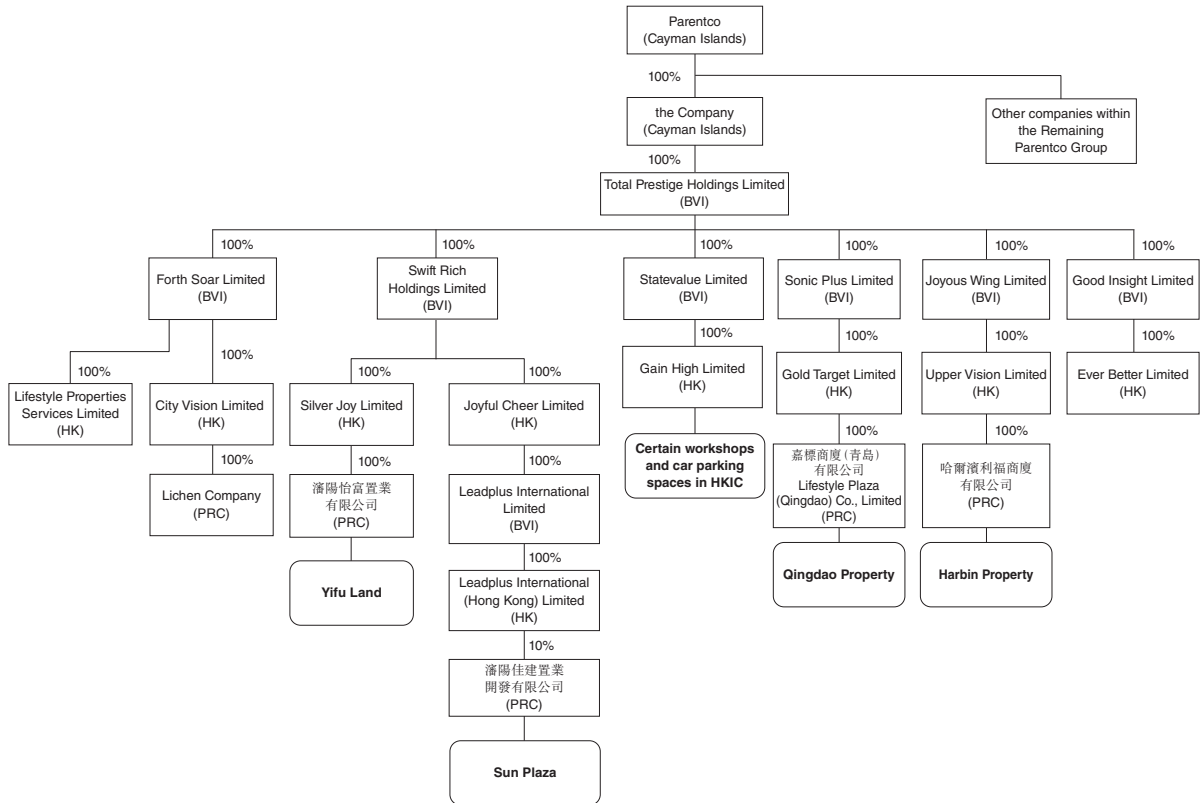
REORGANISATION

14. Issue of new Shares to Parentco by way of capitalisation of the share premium account of the Company

A total of 332,109,970 Shares were allotted and issued by the Company to Parentco, and a sum of HK\$33,210,997 standing to the credit of the share premium account of the Company was capitalised and applied in paying up in full at par such 332,109,970 Shares.

CORPORATE STRUCTURE AFTER THE REORGANISATION BUT BEFORE THE DISTRIBUTION AND COMPLETION OF THE SHARE OFFER

Set out below is the shareholding structure of the Group immediately after completion of the Reorganisation but before the Distribution and completion of the Share Offer:

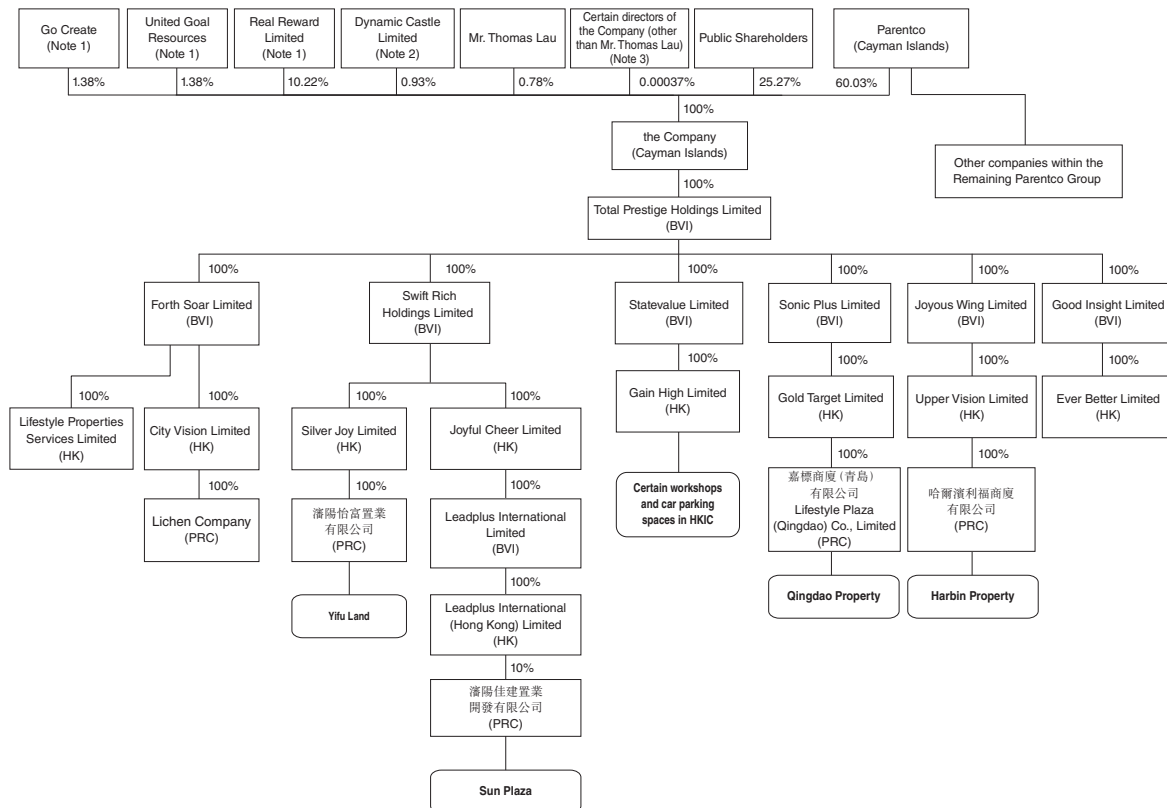


REORGANISATION

CORPORATE STRUCTURE AFTER THE REORGANISATION, THE DISTRIBUTION AND COMPLETION OF THE SHARE OFFER

Mr. Thomas Lau, Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun), all being Directors, will receive 3,262,500, 1,050 and 500 Shares respectively under the Distribution based on their shareholdings in Parentco on the Distribution Record Date, representing approximately 0.78%, 0.00025% and 0.00012% respectively of the issued share capital of the Company following completion of the Reorganisation, the Distribution and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). As all of them are connected persons of the Company, they are not considered as public under the Listing Rules. Excluding their shareholding interests in the Company as a result of the Distribution, it is expected that the Company will have a public float of approximately 25.27% of Shares upon Listing (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option) which complies with the public float requirement under Rule 8.08 of the Listing Rules.

Set out below is the shareholding structure of the Group after the Reorganisation, the Distribution and completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option):



REORGANISATION

Notes:

1. As at the Latest Practicable Date, Real Reward Limited was jointly owned by United Goal Resources and Go Create in equal shares. United Goal Resources, a company incorporated in the BVI, is ultimately owned by Mr. Thomas Lau and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries. Go Create is wholly-owned by Chow Tai Fook.
2. Dynamic Castle Limited is wholly-owned by Mr. Thomas Lau.
3. Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun), both being Directors, will receive certain Shares under the Distribution in their capacities as shareholders of Parentco. Based on their shareholdings in Parentco on the Distribution Record Date, their aggregate shareholdings in the Company arising from the Distribution are expected to represent a negligible percentage of 0.00037% of the issued share capital of the Company following completion of the Reorganisation, the Distribution and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). As they are connected persons of the Company, they are not considered as public under the Listing Rules.

THE SPIN-OFF AND DISTRIBUTION

THE SPIN-OFF

On 13 November 2012, Parentco announced that on 10 August 2012 it had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules (“PN15”) in relation to the Spin-off and that the Stock Exchange had confirmed that Parentco may proceed with the Spin-off. The reduction of Parentco’s shareholding interest in the Company following completion of the Spin-off constitutes a discloseable transaction of Parentco under the Listing Rules and accordingly no shareholders’ approval of Parentco is required for approving the Spin-off.

The Parentco Group is a well-known retail operator with a number of established department stores in Hong Kong and the PRC under the respective brand names of “Sogo” and “Jiuguang”. Since the listing on the Main Board of the Stock Exchange in 2004, the Parentco Group has been acquiring property interests in the form of either land, properties under construction or completed properties for own use or for property development and property investment purposes. Over the past few years, the Parentco Group has been developing the property business of the Group with a proven track record and managed to acquire and build up a substantial non-department store property portfolio. Anticipating continuing growth and expansion of both its department store business and property business going forward, the management of the Parentco Group believes that it is now time to streamline the operations of the two business segments, which operate in different business environments and have different growth paths and risk profiles, by way of the Spin-off. The management of the Parentco Group believes that this strategic move can clearly delineate the department store business of the Remaining Parentco Group and the property business of the Group, offering investors a choice to invest in different business segments.

The delineation under the Spin-off will allow the respective management of the Remaining Parentco Group and the Group to have a more defined business focus on their own core business segments, and hence to make business decisions most suited to the needs of their own group without being overly concerned with the impact of those decisions on the other group and to enhance their responsiveness to market changes.

The Spin-off also serves the purpose of differentiating Parentco as the holding company of a retail group and the Company as the holding company of a property group, and will improve the operational and financial transparency of the Group. It will also provide investors, the market and rating agencies with greater clarity on the respective business and financial focus of the Remaining Parentco Group and the Group, in particular enabling them to be seen separately as retail operator and property company respectively.

Apart from the above factors, Parentco considers that the Spin-off is in the interests of Parentco and the Company and their respective shareholders as a whole because:

- (a) the Spin-off will enable a separate listing on the Stock Exchange to be obtained for the Group, allowing the Group to be valued on a standalone basis, as the shareholder and investor base of a property company and a department store operator can be quite different;

THE SPIN-OFF AND DISTRIBUTION

- (b) the issuance of separate financial reports on the operations of the Group as required under the Listing Rules following the Spin-off will facilitate the evaluation of the Group's performance, increase visibility of the Group's future earnings and encourage direct research coverage of the shares of the Company, resulting in a more transparent and fair valuation and unlocking the hidden value of the property business of the Parentco Group;
- (c) following the Spin-off, the Company will enjoy an independent stock price which should reflect the capital market's assessment of the performance of the management of the Group. This will provide a mechanism to attract and motivate the management of the Group who will be directly responsible for the financial performance of the Group on a standalone basis;
- (d) the Spin-off will create two groups of companies which are believed to have different growth paths, business strategies and risks profile and will offer investors with an opportunity to participate in the future development of both the Remaining Parentco Group as well as the Group and the flexibility to invest in both or either of the groups;
- (e) the Spin-off will allow the Company to establish a higher profile as a separate listed entity with the ability to access the debt and equity capital markets to fund the development and expansion of its business. It provides flexibility and a more diversified funding source for the Group to finance its existing operations and to support its own growth through continuing organic expansion as well as acquisitions; and
- (f) any enhanced value of the Company through the Spin-off and the expansion of the business of the Group will in turn benefit Parentco as Parentco will remain the holding company of the Company after the Spin-off.

In accordance with the requirements of PN15, Parentco will give due regard to the interests of its shareholders by providing qualifying shareholders with an assured entitlement to the Shares by way of a distribution in specie of the Shares if the Spin-off proceeds. Details of the Distribution are set out below.

THE DISTRIBUTION

As part of the Spin-off, the board of directors of Parentco conditionally approved the Distribution on 29 July 2013, under which each Parentco Qualifying Shareholder or Parentco Excluded Shareholder will be entitled to one Share or equivalent cash payment (after deducting expenses) (as appropriate) for every 20 Parentco Shares held as at the close of business on the Distribution Record Date. Based on the issued share capital of Parentco on the Distribution Record Date, to effect the Distribution, subject to the Share Offer becoming unconditional in all respects, a total of 82,588,800 Shares, representing approximately 24.86% of the entire issued share capital of the Company immediately before completion of the Share Offer, will be distributed under the Distribution and immediately following such Distribution, Parentco will hold 249,611,200 Shares, representing (i) approximately 75.14% of the entire issued share capital of the Company immediately before completion of the Share Offer and (ii) approximately 60.03% of the entire issued share capital of the Company as enlarged by the Share Offer (without taking

THE SPIN-OFF AND DISTRIBUTION

into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). Parentco has appointed Sun Hung Kai Investment Services Limited to provide matching service, on a best efforts basis, to Parentco Qualifying Shareholders to facilitate the trading of odd lots of Shares which Parentco Qualifying Shareholders may receive under the Distribution. For details, please refer to the announcement dated 2 September 2013 made by Parentco.

Based on the register of members of the Parentco as at the close of business on the Distribution Record Date, there were certain Parentco Overseas Shareholders whose addresses appearing on the register of members of the Parentco were in the PRC, the Cayman Islands and the British Virgin Islands. According to the legal advice obtained by the Parentco from relevant overseas lawyers, there is no legal restriction for the Parentco to distribute the Shares to such Parentco Overseas Shareholders under the Distribution provided that the Shares are offered outside the Cayman Islands and the British Virgin Islands to companies incorporated as exempted companies under the laws of the Cayman Islands or the British Virgin Islands (as the case may be). Accordingly, there are no Parentco Excluded Shareholder, and all Parentco Shareholders on the Distribution Record Date are Parentco Qualifying Shareholders entitled to receive the Shares under the Distribution.

The Distribution is conditional upon the Share Offer becoming unconditional in all respects.

Fractional entitlements to the Shares under the Distribution will be retained by Parentco for sale in the market and Parentco will keep the net proceeds of sale, after deduction of related expenses therefrom, for the benefit of Parentco. As advised by the Cayman Islands legal advisers to the Company, such arrangement will not contravene Cayman Islands law.

The Company expects to despatch Share certificates to Parentco Qualifying Shareholders who are entitled to the Shares under the Distribution on 11 September 2013.

The Parentco Qualifying Shareholders who hold Parentco Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

BUSINESS

OVERVIEW

The Group is principally engaged in property development and property investment with the main objective of generating return through capital appreciation, including subsequent disposal of the properties concerned. The Group endeavors to enhance its income and the capital value of its properties through a range of different approaches after assessing the conditions of such properties at acquisition. Generally, the Group will continue to develop those properties which are under development and will renovate those completed properties to enhance their capital value further. In addition, the Group will lease the properties out when a reasonable rental income can be generated from such properties. The business model of the Group is not only buying and holding properties for rental income and/or short term capital gain, but also carrying out value-added work or activities to enhance further the capital value of the properties before they are leased out or sold. In order to maximise the return on the properties, either in the form of capital appreciation or increased rental, management of the Company has been making active efforts throughout the Track Record Period to carry out value-added work on the properties (including construction, redesign and renovation) and making appropriate and timely decisions for disposing of or leasing out the properties. As the Group's main objective is to achieve capital appreciation, the Group may sell its properties at various levels or stages of development, should opportunities arise. The management of the Group is of the view that, under present business and operating conditions, the Company is inclined to seek maximum return through capital gains, rather than recurring income in the form of rental. Since 2007, the Group has acquired interests in properties in the PRC and Hong Kong, including Yifu Land, Tianjin Property, Harbin Property, Qingdao Property, Sun Plaza and certain workshops and car parking spaces in Hong Kong. The PRC properties of the Group are located in prime locations of major cities in the PRC, which generally benefit from the policies of the PRC government for accelerating the pace of economic development of these regions.

The table below sets forth the GFA and other information of the Group's property or property related interests as at the Latest Practicable Date:

	GFA (in sq.m.)	Percentage interest attributable to the Group (%)	Attributable capital value as at 30 June 2013 as estimated by CBRE (HK\$ in million)	Date of acquisition	Condition
Investment properties					
Harbin Property	10,090	100	347.1	May 2008	Vacant property
Qingdao Property	26,507	100	318.6	May 2008	Vacant property
Certain workshops and car parking spaces in HKIC	941	100	40.7	July 2009	Vacant property
Financial assets at fair value through profit or loss					
Sun Plaza	99,858	10	N/A	December 2009	Under construction
Prepaid lease payments represented by interest in Yifu Land	N/A	100	750.2 or 585.9 (Note 1)	December 2011	Vacant land

BUSINESS

Notes:

1. On the assumption that the height-limit restriction of Yifu Land were to be 30 metres or 15 metres, and provided that the Group had obtained land use rights certificate, the capital value of Yifu Land is estimated to be approximately HK\$750.2 million or HK\$585.9 million respectively. See Appendix III “Property Valuation” to this prospectus. Its carrying value as prepaid lease payments recorded in the Group’s statements of financial position as at 30 June 2013 is approximately HK\$695.9 million.
2. Tianjin Property is not shown in the above table as disposal of the Group’s equity interest in Tianjin Property Company (which held Tianjin Property) was completed on 25 April 2013. Please refer to the section headed “Business — Property and property related interests — Properties disposed in April 2013 — Tianjin Property” of this prospectus for further details of the disposal.

COMPETITIVE STRENGTHS

The Directors consider that the Group has the following competitive strengths which may allow the Group to compete effectively and pursue further growth in the property market:

Prime locations of the Group’s properties

The PRC properties of the Group are located in prime locations of major cities in the PRC, which generally benefit from the policies of the PRC government for accelerating the pace of economic development of these regions.

Harbin Property is located at the start of Zhongyang Dajie (中央大街), Daoli District (道里區) in Harbin, where Zhongyang Dajie has been a prosperous commercial hub of the city for many years.

Qingdao Property is located in the centre part of Zhongshan Road Commercial Area (中山路商業圈), which is on the west side of Qingdao. Zhongshan Road Commercial Area is an old town area (舊城區) of Qingdao where parks, monuments, hotels and shopping malls are found in the area.

In addition to the above properties, the Group also has interest in Yifu Land, which is recorded as prepaid lease payments (under non-current assets) in the statements of financial positions of the Group. Yifu Land is located at the pedestrian walk of Zhongjie Road, which is located in a business area in Shenyang, the capital city of Liaoning Province. Jiuguang Shenyang Store, adjacent to Yifu Land, is currently under renovation. It is expected that such department store will be opened in the second half of 2013. Yifu Land is also adjacent to Sun Plaza, in which the Group currently has 10% attributable interest through its holding of 10% equity interest in Shenyang Jiajian. The Company believes that with the opening of Jiuguang Shenyang Store, the visitors’ flow in the area will be increased.

Leveraging on Parentco’s well-established footsteps in its department store operation to attain and capture future property investment opportunities

The Group’s controlling shareholder, Parentco, is in the retail industry in Hong Kong. From a solid beginning anchored on a department store in Causeway Bay, Hong Kong, it further expanded its presence in Tsimshatsui, Hong Kong and has grown to become a well-

known retail operator in various regions in the PRC, including Shanghai, Suzhou and Dalian. An additional store is expected to be opened in Shenyang in the second half of 2013. The brand names of “Sogo” and “Jiuguang” have become household names for shopping destinations in the cities where such department stores are located.

It is Parentco’s strategic plan that the Remaining Parentco Group will focus on its retail business, and that the Group will focus on property development and investment (including commercial and residential projects). In identifying and selecting properties for opening and developing department stores, the Remaining Parentco Group may come across properties in developed business area or sites with development potential, which are suitable for uses in addition to or different from department stores. It may refer such development opportunities to the Group for consideration and, where appropriate, acquisition and further development.

Further, the Company believes that its relationship with Parentco would expedite the Group’s further growth by capitalising on the former’s established network in the PRC. The Company also believes that the network established and knowledge built up from the development and operation of Parentco’s department stores could provide the Group with property investment opportunities and to identify new customers.

Experienced management team

The Company considers that its management team is experienced in property development in the PRC. As at the Latest Practicable Date, the Group’s management includes five senior officers who had an average of approximately 10 years of experience in commercial and residential property development. In particular, Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) (both of whom are executive Directors of the Company) have participated in property projects of the Parentco Group since joining the Parentco Group. The team has been actively involved in almost every stage of the property development process, ranging from land acquisition, construction to building completion, as well as property renovation, maintenance and management. Property development projects supervised by both or either of them include the construction and development of “Jiuguang” department stores of the Parentco in Shanghai, Shenyang and Suzhou. Project design, construction, maintenance and management of the properties at which “Jiuguang” department stores are located contribute to the image and customers’ perception of such stores. The executive Directors also have experience in residential property development and investment in Hong Kong and/or the PRC before joining the Parentco Group.

The Directors believe management of the Group can apply their experience in property development to the Group’s existing and future development projects, which is instrumental to business growth of the Group in the future.

BUSINESS STRATEGIES

The Group intends to focus on the following strategies:

To continue developing its existing property portfolio

The Group intends to develop, in two phases, Yifu Land into an 8-storey commercial complex with a three-level basement of a total GFA of approximately 188,252 sq.m.. It is intended that the commercial complex will consist of retail shops with a total GFA of approximately 82,767 sq.m., offices of approximately 32,463 sq.m. and car parking spaces and facilities with a total GFA of approximately 73,022 sq.m..

The Yifu Land Grant Contract was entered into in December 2011. The Group has been seeking clarification from the relevant authorities on the height limit for the development of Yifu Land. As at the Latest Practicable Date, the Group is in the process of obtaining formal approval of the master layout plan with a construction height of 29.9 metres from the relevant competent authorities before applying for various permits required for the commencement of construction. The Group has been making its best efforts in resolving the height limit issues, and intends to continue to develop the site on Yifu Land. Please see the section headed “Business — Property and property related interests — Prepaid lease payments — Yifu Land” of this prospectus for further details.

The construction work of Harbin Property commissioned and monitored by the Group has been completed. The related construction completion inspection is expected to be consummated and the relevant property ownership certificates are expected to be issued in the second half of 2013.

To formulate and implement plans to enhance growth in return and capital value

To enhance its return and the capital value of its properties, the Group will review its property portfolio from time to time. Generally, the Group will continue to develop those properties which are under development and will renovate those completed properties to further enhance their capital value. In addition, the Group will lease the properties out when a reasonable rental income can be generated from such properties. As the Group’s main objective is to achieve capital appreciation, the Group may sell its properties at various levels or stages of development, should opportunities arise.

The Group will make its business decisions having regard to the market conditions as well as its business and/or growth plan. Decisions will be made and actions will be taken in order to bring benefit to the Company and its shareholders and to achieve growth in returns and/or capital value of the Company in the long and medium-term. If any property is sold, the sale proceeds or part thereof may be applied as working capital or to finance its existing development projects.

BUSINESS

The Group will take steps to identify potential land parcels at strategic locations, which are suitable for property development and investment and to expand its land bank in the PRC and Hong Kong. The Company may acquire land use rights through various means, such as public tender or auction. As at the Latest Practicable Date, the Group had not identified any land for its future property development.

To continue to look for commercial property development projects and also development projects with residential elements

The PRC properties held by the Group as at the Latest Practicable Date were commercial properties. The Company intends to maintain this focus and will continue identifying new opportunities in this area.

China has been experiencing significant economic growth in the last three decades. With rapid urbanisation and growing GDP, the Group is optimistic about the prospect of residential property market in China. In achieving the strategy of expanding into the residential market in China, the Group intends to look for suitable opportunities, keep abreast of the market environment and allocate resources to engage further study or undertaking should opportunities arise. The Company believes that there is a strong potential in the residential market in the PRC and such development would further enhance growth of the Group. In addition, a more diversified property portfolio can gradually reduce the Group's reliance on commercial properties.

PROPERTY AND PROPERTY RELATED INTERESTS

The Group's principal business activities are property development and property investment. As at the Latest Practicable Date, the Group owned Yifu Land, Harbin Property, Qingdao Property and a 10% equity interest in Shenyang Jiajian which holds Sun Plaza in Liaoning. Further, the Group owns six workshops and two car parking spaces in HKIC, Hong Kong. Under the accounting principles adopted by the Company as set out in the Accountants' Report, (i) Harbin Property, Qingdao Property and the workshops and car parking spaces in HKIC are classified as investment properties; (ii) the 10% equity interest in Shenyang Jiajian which holds Sun Plaza is classified as financial assets at fair value through profit or loss; and (iii) Yifu Land is classified as prepaid lease payments.

Investment Properties

Harbin Property

Harbin Property is situated at No. 86 Zhongyang Dajie, Daoli District, Harbin City, Heilongjiang Province. Harbin is the capital of the Heilongjiang Province and, in terms of population, is the largest city in the province. The property is located at the south-end of Zhongyang Dajie (中央大街), Daoli District (道里區) in Harbin, which has been a prosperous commercial hub of the city for over one hundred years.

BUSINESS

Zhongyang Dajie is approximately 1,400 metres long, ending at the Flood Prevention Memorial Tower (哈爾濱防洪紀念塔) of the Songhua River (松花江). On both sides of the avenue are nearly 200 stores and restaurants, forming a mature commercial service centre. Zhongyang Dajie is popular with tourists due to its historical architecture and the scenic beauty.



Harbin Property is a 5-storey commercial building above a single storey basement. The property has a total GFA of approximately 10,090 sq.m., comprising an aggregate GFA for the above ground levels of approximately 8,792 sq.m. and a GFA of the basement of approximately 1,298 sq.m.. As at 30 June 2013, Harbin Property was valued at approximately HK\$347.1 million. See Appendix III “Property Valuation” to this prospectus for details.



The equity interest in Harbin Property Company which holds Harbin Property is one of the assets purchased under the sale and purchase agreement made between Beauty Power and the Japan Vendor in 2007. The Group completed its acquisition of interest in Harbin Property in May 2008 from the Japan Vendor at the consideration of approximately RMB69.7 million (equivalent to approximately HK\$87.6 million) in the course of the Parentco Group’s expansion of its department store operation in the PRC. Since the Parentco Group considered that the property (having regard to its size) was not suitable for being operated as one of its department stores, the Group had the opportunity to add the property to the Group’s portfolio. When the agreement was completed on 30 May 2008, Harbin Property was still under construction. During the Track Record Period, the Group carried out further construction work on Harbin Property. Since early 2010, the Group had commissioned independent contractors to perform interior decoration, electrical and fire service installation works on Harbin Property. The total expenses incurred by the Group in connection with such further construction work relating to Harbin Property during the Track Record Period amounted to about RMB28.7 million (equivalent to about HK\$36.1

BUSINESS

million), representing approximately 41% of the purchase price of the property. The construction work was completed and the related completion inspection is expected to be consummated in the second half of 2013. The related property ownership certificate is also expected to be issued in the same period. The property is currently vacant.

The Group intends to dispose of Harbin Property in the first quarter of 2014 to enhance its financial ability to develop Yifu Land. The Group and a potential purchaser (an Independent Third Party) entered into a non-disclosure agreement and the due diligence exercise commenced in first half 2013. Subject to the progress and outcome of negotiation between the parties and the due diligence exercise conducted by the potential purchaser, the Directors expect that a formal definitive disposal agreement is likely to be entered into in the first quarter of 2014. The consideration is expected to be determined by reference to, among others, the valuation of Harbin Property as at 30 June 2013. If the disposal materialises, the Group expects to receive the proceeds from the disposal in the first half of 2014. As at the Latest Practicable Date, no formal definitive agreement in connection with the disposal of interest in Harbin Property was entered into by the Group.

Qingdao Property

Qingdao Property is situated at Nos. 152–158 Jiaozhou Road, Shibei District, Qingdao City, Shandong Province. Qingdao is a major city of the PRC in eastern Shandong province. The property is located at the central part of Zhongshan Road Commercial Area, which is an old town area (舊城區) of Qingdao where parks, monuments, hotels and shopping malls are located in the area.

Qingdao Property is a 12-storey commercial building erected on a 4-level basement over a site area of approximately 2,160 sq.m. The property has a GFA of approximately 26,507 sq.m. comprising an aggregate GFA for the above ground levels of approximately 20,048 sq.m., and an aggregate GFA of the basement of approximately 6,459 sq.m.. Qingdao Property was completed in 2004. As at 30 June 2013, Qingdao Property was valued at approximately HK\$318.6 million. See Appendix III “Property Valuation” to this prospectus for details.



BUSINESS

The equity interest in Qingdao Property Company which holds Qingdao Property is one of the assets purchased under the sale and purchase agreement made between Beauty Power and the Japan Vendor in 2007. The Group completed its acquisition of the interest in Qingdao Property in May 2008 from the Japan Vendor at the consideration of approximately RMB91.6 million (which is equivalent to approximately HK\$115.1 million) in the course of the Parentco Group's expansion of its department store operation in the PRC. Prior to the acquisition of interest in Qingdao Property, the Parentco Group performed various due diligence work, including (i) the engagement of a qualified PRC law firm as its legal advisers to perform legal due diligence (in particular, on the title to Qingdao Property); (ii) obtaining independent valuation of Qingdao Property; (iii) conducting on-site inspection at Qingdao Property; (iv) reviewing the financial statements of Qingdao Property Company and conducting financial analysis to assess the business and financial impact as a result of the acquisition. Since the Parentco Group considered that the property (having regard to its size) was not suitable for being operated as one of its department stores, the Group had the opportunity to add the property to the Group's portfolio. When the agreement was completed on 30 May 2008, the Qingdao Property, as one of the four properties acquired by the Parentco Group as a bundled deal, was delivered to the Group with vacant possession. Since the Group had not received any offers with satisfactory terms, the Qingdao Property had not been leased out during the Track Record Period. While the Directors have reasonable expectation that rental yield and property prices in the neighbourhood of Qingdao Property may improve over time, the Group may consider to dispose of Qingdao Property when offers with attractive terms are received. No turnover was generated from Qingdao Property during the Track Record Period and the Qingdao Property is currently vacant (other than a portion on the top floor of the Qingdao Property which is occupied by the Group as its office in Qingdao).

Hong Kong Properties

Hong Kong Properties comprise six workshops and two car parking spaces in HKIC being workshop C3 on 11th Floor, workshops C3, C5, C6, C7 and C8 on 12th Floor of Block C and car parking spaces nos. 107 and 108 on the basement of HKIC. HKIC is a 14-storey industrial building (including a basement level) situated at Nos. 489–491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong. Hong Kong Properties have a total GFA of approximately 941 sq.m.. Hong Kong Properties are currently vacant. The Group may consider to dispose of Hong Kong Properties when offers with attractive terms are received.

HKIC was completed in 1982. As at 30 June 2013, Hong Kong Properties were valued at approximately HK\$40.7 million. See Appendix III "Property Valuation" to this prospectus for details.

Following the default of the Bridging Loan (as mentioned in the section headed "History and development — Corporate history of the Group — 3. Establishment of Gain High and acquisition and subsequent disposal of interests in properties in HKIC and a car parking space at Harbour Centre" in this prospectus), the Group obtained the title of Hong Kong Properties together with other pledged properties comprising a total of thirteen workshops and seven car parking spaces in Hong Kong in 2009. Seven workshops and five car parking spaces were sold by the Group subsequently (up to the Latest Practicable Date).

Financial assets at fair value through profit or loss

Sun Plaza

The Group has an attributable interest of 10% in Sun Plaza through its holding of 10% equity interest in Shenyang Jiajian. Sun Plaza is situated at No. 48 Zhongjie Road, Shenhe District, Shenyang City, Liaoning Province. Shenyang is the capital city of Liaoning Province. The property is located next to Yifu Land.

Under construction, a 6-storey commercial building above a 2-storey basement is planned to be built at the site with an area of approximately 18,744 sq.m.. The property is expected to have a total GFA of approximately 99,858 sq.m., comprising an aggregate GFA of the above ground levels of approximately 74,593 sq.m. and an aggregate GFA of the basements of approximately 25,265 sq.m.. It is held under a land use rights certificate for commercial use with a term which will expire in 2043. Sun Plaza is still under construction but a permit for pre-sale had been obtained from the relevant PRC authorities and pre-sale has commenced as at the Latest Practicable Date.



In 2006, in exploring opportunities to set up additional department stores in the PRC, Parentco Group encountered opportunities to acquire the entire interest in Sun Plaza. In December 2009, the acquisition of interest in Sun Plaza (which was then under construction) from an Independent Third Party at the consideration of approximately HK\$282.8 million was completed and the entire interest in Sun Plaza became owned by the Group.

During the period between December 2009 and August 2011, the Group retained contractors to re-design and complete remaining construction work of Sun Plaza. The total amount of expenditure incurred by the Group in connection with the construction and renovation of Sun Plaza during the two years ended 31 December 2011 amounted to approximately HK\$53.4 million.

In June 2011, the Group entered into an agreement with Shenyang Jiajian Investment Company Limited (瀋陽佳建投資有限公司) (“**Shenyang Jiajian Purchaser**”) (an Independent Third Party which was incorporated in the PRC and was principally engaged in the business of property investment, investment information consultancy, property agency and property management when entering into the agreement) to dispose of 90% equity interest in Shenyang Jiajian which held Sun Plaza. The sale price of RMB540.0 million (which is equivalent to approximately HK\$678.8 million) was determined with reference to the net asset value of

Shenyang Jiajian as per its unaudited financial statements as at 30 April 2011 and the latest market value of Sun Plaza available at that time. Completion of such disposal took place in October 2011. The Group recorded a realised gain on such disposal of approximately HK\$225.3 million; thus, the Group currently has a 10% attributable interest in Sun Plaza through its holding of 10% equity interest in Shenyang Jiajian. In view of the prior involvement in the development project at Sun Plaza and the Group's experience in dealing with the local government for the project, by retaining 10% equity interest in Shenyang Jiajian, the Group would be in a position and still has commercial interest to assist Shenyang Jiajian Purchaser in dealing with the local government during the transition period. Further, from the Group's perspective, the Sun Plaza project was expected to be a profitable one, and therefore it would not be against the interest of the Group to retain a stake in Shenyang Jiajian to share the future profit from the Sun Plaza project. According to the PRC Legal Advisers, subject to compliance of (i) relevant provisions governing transfer of equity interest as stipulated in (aa) the articles of association of Shenyang Jiajian and (bb) the joint venture contract signed between Leadplus HK and Shenyang Jiajian Purchaser; and (ii) the relevant PRC laws and regulations regarding approval, filing and registration of the equity interest transfer of a joint venture real property company, there is no legal impediment for the Group's disposal of the remaining 10% equity interest in Shenyang Jiajian. Pursuant to the articles of association of Shenyang Jiajian and the joint venture contract between Leadplus HK and Shenyang Jiajian Purchaser, Leadplus HK cannot dispose of or transfer its equity interest in Shenyang Jiajian to a third party unless with the consent of Shenyang Jiajian Purchaser. If Leadplus HK proposes to dispose of any of its equity interest in Shenyang Jiajian, it should first give a transfer notice to Shenyang Jiajian Purchaser. If Shenyang Jiajian Purchaser objects to the said transfer, it should acquire the equity interest proposed to be disposed of by Leadplus HK within the prescribed period; otherwise, Shenyang Jiajian Purchaser is deemed to have consented to the proposed disposal of the equity interest by Leadplus HK to the relevant third party, provided that the terms and conditions of such disposal to the relevant third party shall not be more favourable than those indicated in the transfer notice to Shenyang Jiajian Purchaser, otherwise the disposal will be null and void. Any disposal of equity interest in Shenyang Jiajian shall be approved by competent approving authorities.

The Group may consider the disposal of its 10% equity interest in Shenyang Jiajian when offers with attractive terms are received.

Prepaid Lease Payments

Yifu Land

Background

The Group has interest in Yifu Land which is recorded in the statements of financial positions of the Group as prepaid lease payments (under non-current assets). Yifu Land is situated at western side of Zhengyang Street, Shenhe District, Shenyang City, Liaoning Province. The property has a site area of approximately 31,376 sq.m. and is currently vacant. Adjacent to Yifu Land is the Jiuguang Shenyang Store located at the pedestrian walk of Zhongjie Road, a newly developed department store of the Remaining Parentco Group, which is

BUSINESS

currently under renovation and is expected to be opened in the second half of 2013. Yifu Land is also adjacent to Sun Plaza, in which the Group currently has 10% attributable interest through its holding of 10% equity interest in Shenyang Jiajian.

The Company believes that the opening of the Jiuguang Shenyang Store would attract pedestrian flow to the area, which would ultimately enhance the value of Yifu Land. The development project on Yifu Land would enable the Group to sustain its long-term growth and enhance its profitability and financial performance in the future.

Yifu Land was initially part of a larger piece of land in Shenyang (the “**Original Site**”), the land use right of which was acquired by the Parentco Group from the Shenyang Land Reserve Trading Centre in December 2006. Before submitting the bid application for the Original Site, the Parentco Group performed various due diligence work, including (i) site visits to Shenyang, (ii) conducting feasibility study on estimated total cost (including land and demolition and relocation cost, and construction cost) and retail sector of Shenyang, (iii) reviewing reports in relation to the property market in Shenyang, (iv) discussing with the Shenhe District Government (including height restriction and the transportation planning in the neighbourhood) and signing of letter of intent with Shenhe District Government in relation to the development of the Original Site and cooperation agreement in relation to demolition and relocation with the Construction Bureau of the Shenhe District Government, (v) approaching potential design houses to issue schematic and conceptual designs and (vi) reviewing the public auction documents from Shenyang Planning & Land Bureau. Subsequently in early 2007, as requested by the Parentco Group, the Original Site was subdivided into Yifu Land and another piece of land which is currently being developed by the Remaining Parentco Group as the Jiuguang Shenyang Store (the “**Zhuoyuan Land**”). In connection with such subdivision, the Parentco Group surrendered the land use right of Yifu Land back to Shenyang Planning & Land Bureau. Yifu Land was later offered by Shenyang Planning & Land Bureau for sale in a listing exercise (掛牌交易). The Group was the successful bidder under this exercise and was awarded in September 2007 entitlement to the land use right to Yifu Land. The bid-confirmation made with the local land reserve transaction centre (土地儲備交易中心) does not specify the height-limit as a fixed number but broadly states to be in compliance with the relevant local planning requirement, i.e. the Regulations on Protection of Shenyang Imperial Palace, Fuling Tomb and Zhaoling Tomb (瀋陽市故宮、福陵和昭陵保護條例) (“**Palace Protection Regulations**”).

Yifu Land Grant Contract

The Group entered into the Yifu Land Grant Contract in December 2011. Salient terms of the Yifu Land Grant Contract are summarised as follows:

Parties:	Shenyang Planning & Land Bureau as grantor Shenyang Yifu Property Company as grantee
Yifu Land:	Yifu Land is numbered as 2007-055. The site area of Yifu Land is 31,376 sq.m. and it is situated at the western side of Zhengyang Street, Shenhe District, Shenyang, the PRC.
Term of the land use right:	40 years from 27 December 2011

BUSINESS

Use of the Yifu Land:	Commercial and services use
Consideration (land grant fee):	RMB576,251,616. The said land grant fee was already paid in full on 22 February 2010.
Plot ratio and other planning requirements in the use of Yifu Land:	The plot ratio should not be more than 6 and the height of the construction should be in accordance with the requirements in the Palace Protection Regulations. According to the PRC Legal Advisers and as confirmed by the Company, in view of (i) the location of the construction proposed to be erected on Yifu Land; and (ii) various documents obtained by the Company from various governmental authorities in connection with the development of Yifu Land ^(Notes 1 and 2) , the applicable height restriction under the said regulations should be 24 to 30 metres.
Timing for construction:	<p>Construction of Yifu Land shall commence by 27 December 2012 and be completed by 27 December 2015. If Shenyang Yifu Property Company cannot commence the construction according to the said timeframe, it should apply for an extension 30 days before such date and the period extended cannot exceed one year. Please refer to the section headed “Business — Property and property related interests — Prepaid Lease Payments — Yifu Land — Extension of construction on Yifu Land & land use right certificate” for further details on the application for the extension of the construction commencement date.</p> <p>If Shenyang Yifu Property Company fails to commence construction of the development at Yifu Land for more than one year (but less than two years) after Yifu Land has been identified as “idle land”, it shall pay idle land fee in accordance with the relevant law. If the construction does not commence within two years after the date specified in the Yifu Land Grant Contract, the land may be confiscated without compensation.</p> <p>If Shenyang Yifu Property Company does not commence or complete the construction on the date agreed or extended, damages representing 0.05% of the consideration shall be payable for each day of the delay.</p>
Adjustment to the planning conditions of Yifu Land:	The government reserves the right to adjust the planning of Yifu Land within the term of the land use right. If the grantor changes the usage condition of Yifu Land unilaterally, the grantee has the right to request the grantor to perform the Yifu Land Grant Contract in compliance with the conditions prescribed therein and to compensate the grantee for its direct loss caused by the delay of performance.

Notes:

1. The various documents and the relevant government authorities involved are as follows:

- (i) the “Application Form Reported to Shenyang Municipal City Planning Committee as a Proposal for Review*” (報請瀋陽市城市規劃委員會審議議題申報表) affixed with the seal of Construction Approval and Management Office of Shenyang Planning & Land Bureau, which, among others, set out the planning proposal of Shenyang Lifestyle Plaza (Phase III) (i.e. the construction proposed to be built on Yifu Land) with a height limit of 30 metres.

The Government authority involved is Construction Approval and Management Office of Shenyang Planning & Land Bureau

- (ii) The Fifth Meeting Minutes of Shenyang Municipal City Planning Committee in 2009 (2009年瀋陽市城市規劃委員會第五次會議紀要) dated 14 May 2009, which recorded that the planning proposal of Shenyang Lifestyle Plaza (Phase III) (i.e. the construction proposed to be built on Yifu Land) with a height limit of 30 metres was agreed in principle.

The Government authority involved is Shenyang Municipal City Planning Committee

- (iii) “Request for Instructions regarding the Land and Planning Approval Issues of Haiyanli 2007–055 Plot*” (關於海堰里2007–055地塊土地及規劃審批問題的請示) dated 17 February 2011, which explicitly mentioned that the height limit in the design planning of the project on Haiyanli 2007–055 Plot (i.e. the development project on Yifu Land) was 30 metres.

The Government authority involved is Shenhe District Government

- (iv) A partial planning drawing of Yifu Land affixed with the seal of Land Management Office of Shenyang Planning & Land Bureau Shenhe Branch dated 3 June 2011, which indicated that the height limit was 30 metres or below. Such planning drawing has been provided to the land grantor of Yifu Land prior to the execution of Yifu Land Grant Contract and the land grantor did not raise any objection in this regard.

The Government authority involved is Land Management Office of Shenyang Planning & Land Bureau, Shenhe Branch

2. According to the PRC Legal Advisers, Shenyang Planning & Land Bureau (including its branches and offices) is the competent authority responsible for the granting of land use right of Yifu Land and issuance of relevant land use right certificate, and the Shenyang Municipal City Planning Committee is responsible for the review and approval of the general plan of the city as well as the planning and construction design plan of important construction projects in the planning control area such as key urban areas, scenic areas, ecological protection areas and cultural relics protection units of all levels.

According to the PRC Legal Advisers, the Yifu Land Grant Contract is legally valid and binding under the PRC laws.

30-metre & 15-metre plans

Under the Yifu Land Grant Contract, similar to the bid-confirmation obtained in 2007, the height-limit was not specified as a fixed number, but was broadly stated to be in compliance with the relevant local planning requirements, i.e. the Palace Protection Regulations promulgated on 9 June 2003, which provides that the height limit of buildings to the north wall of the Shenyang Imperial Palace locating between north line of North Zhongjie Road and the south line of North Shuncheng Road is 24 to 30 metres; and the height limit of buildings locating between 240 metres to the west wall of the Shenyang Imperial Palace and the east line of West Shuncheng Road is 24 to 30 metres. Yifu Land is located in the area described above where the height limit

is set at 24 to 30 metres. Up to the time of the signing of the Yifu Land Grant Contract, based on (i) the location of Yifu Land to which such height limit is applicable; and (ii) various documents obtained by the Group from various governmental authorities in connection with the development of Yifu Land under the 30-metre height limit, it was the Group's then understanding that the development of Yifu Land was subject to the 30-metre height limit.

During the preliminary communication with competent local governmental authorities for the preparation for application of the Planning Permit for Construction Land (建設用地規劃許可證) in August 2012, the Group learnt from a planning drawing of Yifu Land made available by the Shenyang Planning and Design Institution that the development of the Yifu Land may be subject to a 15-metre height limit instead of a 30-metre height limit which the Group understood during its acquisition of the Yifu Land. Thereafter, the Group took steps to seek clarifications with the relevant government departments including the District Government Office and Shenyang Planning & Land Bureau. However, the Group did not receive any written official notice in this regard from any governmental authorities. In the opinion of the PRC Legal Advisers, the planning drawing of Yifu Land indicating such 15-metre height limit may not be treated as formal confirmation for revising the height-limit of the Yifu Land from 30 metres to 15 metres as it was not issued to the Group as an official notice.

The Group continued to seek clarification of, and assistance in dealing with, the issue through the district government. The Group received a letter dated 19 April 2013 from Shenhe District Government indicating that the planning standard shall remain the same as that applicable at the time of grant of Yifu Land, i.e. at a height not exceeding 30 metres, and confirming that the delay in commencement of construction of Yifu Land was not attributable to the Group and the main reason for the delay in commencement of construction on Yifu Land was that the planning scheme of the imperial city had not been approved by Shenyang Municipal Government until the end of 2012, while the design plan of Yifu Land to be reviewed and determined was required to accord with the overall planning scheme of the imperial city.

The Group further received a letter from Construction Management Office (建設工程管理處) of Shenyang Planning & Land Bureau dated 8 May 2013 confirming that the planning design scheme of Haiyanli-1 commercial project (海堰里地區-1地塊商業項目) (i.e. the development project on Yifu Land) with a construction height of 29.9 metres had been preliminarily agreed by Shenyang Planning & Land Bureau, and the Group was requested to submit an alternative design scheme prepared based on comments given by the expert team (as organised by the said bureau) on the construction style, after which Shenyang Planning & Land Bureau will consider granting further approval in accordance with municipal government's review opinion. Since the master layout plan of the development project on Yifu Land was preliminarily approved with a construction height of 29.9 metres according to the letter issued by Construction Management Office of Shenyang Planning & Land Bureau dated 8 May 2013, the Group believes that such master layout plan with a construction height of 29.9 metres is in compliance with the approved planning scheme of the imperial city.

In late July 2013, the Group submitted the alternative design scheme to Shenyang Planning & Land Bureau for review. A meeting with the expert team (organised by the said Bureau) was held on 8 August 2013 to discuss about such alternative design scheme. During the meeting, the expert team and representatives of the Shenhe District Government and the

BUSINESS

Shenyang Planning & Land Bureau, after listening to the Group's presentation, all indicated that they considered such alternative design to be generally acceptable with no further comments. Shenyang Planning & Land Bureau indicated that they would complete the approval procedures as soon as possible. As at the Latest Practicable Date, the Group has not yet received the final approval on the planning design scheme. Notwithstanding this, the Group is prepared to continue developing Yifu Land. Having considered (i) the opinion of the PRC Legal Advisers; (ii) the master layout plan prepared under the 30-metre height limit in respect of the development plan of Yifu Land that the Group presented to both district and municipal government officials in or about March 2013; (iii) the letter issued by Shenhe District Government on 19 April 2013; (iv) the letter issued by Construction Management Office of Shenyang Planning & Land Bureau dated 8 May 2013; and (v) verbal feedbacks and indications from governmental officials during recent meetings and presentations, the Directors consider that the likelihood of changing the height limit from 30 metres to 15 metres is relatively low. Notwithstanding such assessment, the Group has prepared two master layout plans (whose construction cost budgets were reviewed by a qualified quantity surveyor firm experienced in quantity survey of construction and property development industry in the PRC and Hong Kong) as set out below:

Height limit	Layout description	GFA	Phases	Estimated cost
30-metre	8-storey commercial complex with a three-level basement	Total: ~188,252 sq.m.	Phase I: ~92,965 sq.m.	RMB1.46 billion (~HK\$1.8 billion)
		— Retail: ~82,767 sq.m. — Office: ~32,463 sq.m. — Car parking spaces and facilities: ~73,022 sq.m.	Phase II: ~95,287 sq.m.	
15-metre	4-storey commercial complex with a three-level basement	Total: ~153,904 sq.m.	Phase I: ~77,231 sq.m.	RMB1.24 billion (~HK\$1.6 billion)
		— Retail: ~63,439 sq.m. — Office: ~20,751 sq.m. — Car parking spaces and facilities: ~69,714 sq.m.	Phase II: ~76,673 sq.m.	

The Company will disclose the material development in respect of the development project on Yifu Land after Listing in its annual and interim reports.

Expected source of funding

The expected source of funding from the third quarter of 2013 to the third quarter of 2015 for the Yifu Land project would be the Group's internal financial resources, proceeds from the Share Offer and proceeds from disposal of its investment properties (i.e. the remaining proceeds from the disposal of the Tianjin Property Company and (if the disposal materialises) the proceeds from the planned disposal of Harbin Property expected to be received by no later than the second quarter of 2014). The expected major source of funding for the period from the fourth quarter of 2015 to the fourth quarter of 2017 would be proceeds from pre-sale of properties under the development on Yifu Land. The relevant pre-sale permits from the relevant authorities are expected to be issued by around the second or the third quarter of 2015. Based on the above, the Directors consider that the Group has sufficient working capital to develop the project on Yifu Land. Please see the section headed "Business — Property and property related interests — Prepaid lease payments — Yifu Land" of this prospectus for further details of the estimated development cost and source of funding for the development on Yifu Land.

Under the 30-metre plan (in RMB million)

	2013		2014				2015				2016				2017				Total
	3rd to 4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Estimated construction cost	6.0	17.5	40.4	37.4	53.5	28.2	49.9	66.9	99.0	95.7	87.5	38.7	32.7	—	—	—	—	653.5	
Estimated design cost	1.1	1.1	2.3	2.3	3.4	2.3	2.3	2.3	2.3	1.1	1.1	1.1	—	—	—	—	—	22.6	
Estimated management fee	1.5	2.6	2.6	2.6	4.4	5.4	5.4	4.4	4.4	3.7	3.7	2.8	—	—	—	—	—	43.6	
Estimated cost																			
— 1st phase	8.7	21.2	45.3	42.3	61.2	35.9	57.6	73.6	105.6	100.6	92.3	42.6	32.7	—	—	—	—	719.6	
Estimated construction cost	—	—	—	—	6.1	17.9	41.4	38.3	54.8	28.9	51.1	68.6	101.4	98.1	89.6	39.6	33.4	669.4	
Estimated design cost	—	—	—	—	1.1	1.1	2.3	2.3	3.4	2.3	2.3	2.3	2.3	1.1	1.1	1.1	—	22.6	
Estimated management fee	—	—	—	—	1.5	2.6	2.6	2.6	4.4	5.4	5.4	4.4	4.4	3.7	3.7	2.8	—	43.6	
Estimated cost																			
— 2nd phase	—	—	—	—	8.8	21.7	46.3	43.2	62.5	36.6	58.8	75.2	108.0	102.9	94.4	43.6	33.4	735.5	
Total estimated cost	8.7	21.2	45.3	42.3	70.0	57.6	103.9	116.8	168.1	137.2	151.1	117.8	140.7	102.9	94.4	43.6	33.4	1,455.2	
Expected total GFA to be sold (in %)	—	—	—	—	—	—	—	10%	15%	15%	7%	12%	16%	15%	8%	2%	—	100%	

Notes:

1. The expected time of payment of the estimated costs to be incurred within a quarter would be by the end of such quarter.
2. The expected source of funding from the third quarter of 2013 to the third quarter of 2015 would be the Group's internal financial resources, proceeds from the Share Offer (expected to be received shortly after Listing) and proceeds from disposal of its investment properties (i.e. the remaining proceeds from the disposal of the Tianjin Property Company and (if the disposal materialises) the proceeds from the planned disposal of Harbin Property expected to be received by no later than the second quarter of 2014). The expected major source of funding for the period from the fourth quarter of 2015 to the fourth quarter of 2017 would be proceeds from pre-sale of properties under the development on Yifu Land. The relevant pre-sale permits from the relevant authorities are expected to be issued by around the second or the third quarter of 2015.

Under the 15-metre plan (in RMB million)

	2013		2014				2015				2016				2017				Total
	3rd to 4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Estimated construction cost	5.0	15.2	35.7	33.2	47.2	24.6	43.1	57.3	84.5	81.4	74.8	33.2	28.2	—	—	—	—	563.4	
Estimated design cost	0.9	0.9	1.9	1.9	2.8	1.9	1.9	1.9	1.9	0.9	0.9	0.9	—	—	—	—	—	18.8	
Estimated management fee	1.3	2.3	2.3	2.3	3.8	4.8	4.8	3.8	3.8	3.3	3.3	2.4	—	—	—	—	—	38.0	
Estimated cost																			
— 1st phase	7.2	18.4	39.8	37.3	53.9	31.3	49.8	63.0	90.2	85.6	79.0	36.6	28.2	—	—	—	—	620.3	
Estimated construction cost	—	—	—	—	4.9	15.1	35.4	32.9	46.9	24.5	42.8	56.9	83.8	80.7	74.2	32.9	27.9	559.0	
Estimated design cost	—	—	—	—	0.9	0.9	1.9	1.9	2.8	1.9	1.9	1.9	1.9	0.9	0.9	0.9	—	18.8	
Estimated management fee	—	—	—	—	1.3	2.3	2.3	2.3	3.8	4.8	4.8	3.8	3.8	3.3	3.3	2.4	—	38.0	
Estimated cost																			
— 2nd phase	—	—	—	—	7.2	18.3	39.5	37.0	53.5	31.1	49.4	62.6	88.5	84.9	78.4	36.3	27.9	615.8	
Total estimated cost	7.2	18.4	39.8	37.3	61.1	49.6	89.3	100.1	143.7	116.7	128.4	99.1	117.7	84.9	78.4	36.3	27.9	1,236.1	
Expected total GFA to be sold (in %)	—	—	—	—	—	—	—	10%	15%	15%	8%	12%	15%	15%	7%	3%	—	100%	

Notes:

1. The expected time of payment of the estimated costs to be incurred within a quarter would be by the end of such quarter.
2. The expected source of funding from the third quarter of 2013 to the third quarter of 2015 would be the Group's internal financial resources, proceeds from the Share Offer (expected to be received shortly after Listing) and proceeds from disposal of its investment properties (i.e. the remaining proceeds from the disposal of the Tianjin Property Company and (if the disposal materialises) the proceeds from the planned disposal of Harbin Property expected to be received by no later than the second quarter of 2014). The expected major source of funding for the period from the fourth quarter of 2015 to the fourth quarter of 2017 would be proceeds from pre-sale of properties under the development on Yifu Land. The relevant pre-sale permits from the relevant authorities are expected to be issued by around the second or the third quarter of 2015.

BUSINESS

Extension of time for commencement of construction on Yifu Land & land use right certificate

Under the Yifu Land Grant Contract, the Group is required to commence the construction on Yifu Land by 27 December 2012. If the Group is unable to commence the construction by 27 December 2012, it shall apply for an extension 30 days before such date. If the extension is granted, it will be valid for no more than one year. Pursuant to the Measures on Disposing Idle Land (閒置土地處置辦法), if the delay in commencement of construction is attributable to the government, the Group may enter into a supplemental agreement to the Yifu Land Grant Contract with the land grantor to agree on a new commencement date for construction. The Group has applied for extension of commencement of construction of Yifu Land by submitting an application to the Shenyang Planning & Land Bureau on 10 November 2012 and received a reply dated 25 December 2012 acknowledging the receipt of the Group's application for the extension. The Group received a letter (the "**Letter**") dated 19 April 2013 from Shenhe District Government confirming that the delay in commencement of construction of Yifu Land was not attributable to the Group, and the main reason for the delay in commencement of construction on Yifu Land was that the planning scheme of the imperial city had not been approved by Shenyang Municipal Government until the end of 2012, while the design plan of Yifu Land to be reviewed and determined was required to accord with the overall planning scheme of the imperial city. Shenhe District Government also indicated in the said Letter that after the finalisation and approval of the new construction design plan of Yifu Land, it would use its best efforts to assist the Group's negotiation and execution of a supplemental agreement to the Yifu Land Grant Contract with the land grantor, pursuant to which a new construction commencement date would be fixed. Pursuant to a letter dated 26 June 2013 issued by Shenyang Planning & Land Bureau to the Group, Shenyang Planning & Land Bureau agreed to the commencement of construction by the Group as soon as possible after completing procedures for commencement of construction including the review of further detailed initial design (擴初審查) and the consideration and approval for the Construction Planning Permit (《工程規劃許可證》) and in accordance with the provision in the Yifu Land Grant Contract, the deadline for commencement of construction on the Yifu Land was extended for not more than one year. The PRC Legal Advisers are of the opinion that according to such letter, Shenyang Planning & Land Bureau has granted approval for the Group's application for extension of commencement of construction, and the corresponding commencement and completion date for construction under the Yifu Land Grant Contract will be extended accordingly, with the deadline for commencement of construction not exceeding one year over the deadline originally stipulated (i.e. the extended commencement date for construction shall not be beyond 27 December 2013). The PRC Legal Advisers are of the view that pursuant to the Yifu Land Grant Contract and the requirements under relevant laws and regulations, Shenyang Planning & Land Bureau as the grantor of Yifu Land has the right to grant such approval for the Group's application for extension of commencement of construction.

The Directors expect that the construction on Yifu Land will commence in the first quarter of 2014 in view of (i) the time expected to obtain the relevant permits required for the commencement of construction after the approval of the master layout plan being granted; and (ii) the cold weather in Shenyang during winter which renders outdoor construction not practicable. If such plan remains unchanged, the Company will apply for a further extension of the commencement and completion date for construction under the Yifu Land Grant Contract from the Shenyang Planning & Land Bureau would be in the fourth quarter of 2013. The PRC

BUSINESS

Legal Advisers are of the opinion that there is a legal ground for the Group to apply for further extension in the event that the Group's failure to commence construction of Yifu Land is due to the delay of the relevant authorities in granting the approval of the master layout plan resulting in insufficient time for the Group to obtain the relevant permits for construction. The Directors also do not expect there will be any obstacle in obtaining such extension as the Group is expected to be in the process of obtaining the relevant permits in late 2013 and would commence the construction when all the relevant permits are obtained.

As at the Latest Practicable Date, the Group is in the process of obtaining formal approval of the master layout plan with a construction height of 29.9 metres from relevant competent authorities before applying for various permits required for the commencement of construction.

Pursuant to Measures on the Planning Concerning Assignment and Transfer of the Right to the Use of State-owned Land in the Urban Areas (城市國有土地使用權出讓轉讓規劃管理辦法), obtaining of the planning permit for construction land is required for the application for the land use rights certificate. The Group will apply for the planning permit for construction land once the planning design is finalised and (following the grant of such planning permit) apply for the land use right certificate for Yifu Land.

According to the approval procedure guidelines published by Shenyang Planning & Land Bureau, when all required application documents are in order, it takes six working days to obtain the land use right certificate after the applicant submits a complete application package. The PRC Legal Advisers are of the opinion that there is no material legal impediment for the Group to obtain the land use right certificate for the Yifu Land given that the Yifu Land Grant Contract has been duly concluded and the land grant fee was fully paid within the prescribed timeframe. In practice, it may take three to four weeks to obtain the land use right certificate even if all the application documents are in order, but the actual timing may vary from case to case. The Directors expect that the approval for the land use right certificate would be obtained by no later than end of 2013.

The construction on Yifu Land is expected to commence in the first quarter of 2014 and to be completed by the end of 2017. The definite development plan will be subject to the final approval of the relevant PRC authorities, and the Group will make appropriate disclosure to update the progress of the development subsequent to the Listing. If commencement of construction on Yifu Land is further postponed as a result of delay in obtaining approval for various permits required for the commencement of construction on Yifu Land, the Directors consider that there would be no adverse material impact on the development cost of the plan since the construction costs, which accounted for significant part of the total cost of the development plan, would only be incurred when the construction begins. As external contractors will be engaged by the Group to undertake the construction work on Yifu Land, the Directors do not expect that the number of employees of the Group will be increased significantly after the commencement of the construction work. Having considered the existing headcount of the Group, the Directors consider that further postponement of the construction on Yifu Land, if any, would not have adverse material impact on the Group's operation or allocation of staff. Please see the section headed "Risk factors — The zoning and the related planning criteria as prescribed by relevant PRC authority for Yifu Land may be subject to changes" of this prospectus for further details of such risk factor.

Feasibility

The Directors expect that the Yifu Land project will be profitable (whether under the 30-metre or 15-metre plan) having considered the estimated revenue from the projected pre-sale plan and related development costs. In formulating the projected pre-sale plan (for both 30-metre and 15-metre height restrictions), the Directors estimated the revenue by reference to the prevailing market price of comparable properties nearby (which is approximately RMB53,400/sq.m. for retail properties and approximately RMB10,500/sq.m. for offices) and applicable adjustments were made after taking into account, among others, the property's location, size and characteristics. Accordingly, the estimated average selling price is determined with reference to the prevailing market price of the properties nearby.

On the assumption that the height-limit restriction were to be 30 metres or 15 metres, and that the Group had obtained the land use rights certificate, the estimated capital value of the Yifu Land in existing state as at 30 June 2013 was estimated to be approximately HK\$750.2 million or HK\$585.9 million respectively. See Appendix III "Property Valuation" to this prospectus for details. The appraised value of approximately HK\$585.9 million as at 30 June 2013 only represents the valuation of Yifu Land at existing state, (i.e. a piece of vacant land) and on the assumption that the development was subject to a 15-metre height limit. Based on the above master layout plans and the sales and costs budget, the Directors consider that the development of Yifu Land is commercially viable.

The Directors consider that the management team members have the experience and competence necessary for completion of the development of Yifu Land. For details, please refer to the paragraph headed "Property acquisition and development — Management team's experience in undertaking property development projects" below. The Group will also ensure that sufficient resources are made available at different stages and in various aspects of the development (including planning, project design, construction) and may engage external professional parties for their advice or opinion, if and when appropriate.

To ensure that the development schedule of Yifu Land will comply with the idle land and other regulations, the project management department of the Group is delegated with the responsibilities to closely monitor the construction progress of Yifu Land and will report the progress thereof at the Group's regular senior management meetings held every three months or where necessary. If significant problems or delays (whether construction, technical or legal) are identified, the same shall be notified forthwith to the Group's senior management for remedial actions and if necessary, escalated to the Board's attention and consideration. The project management department will work closely with contractors, project engineers and design firms to manage and monitor the progress and quality of the project. Such contractors, project engineers and design firms were or will be carefully selected through a tender process to ensure that they will have the competence and capacity to meet the development schedule of Yifu Land. The project management department, by itself and/or through engaging suitable professionals, will monitor the on-site progress on a weekly basis and will conduct inspections, appraisals and reviews on a monthly basis to maintain quality control and effective and timely execution of the construction plan and to ensure that all necessary corrections can be made, or

complications can be resolved, in a timely and effective manner. The project management department will also participate in and oversee acceptance procedures upon completion of each stage of the development.

The financial aspect of the development on Yifu Land and the assessment of the sufficiency of working capital and cost control of the development would be monitored by the executive Directors.

Properties disposed in April 2013

Tianjin Property

Tianjin Property was the Group's only rental generating investment property during the Track Record Period. In late 2012, the Group received an offer from an Independent Third Party to purchase the entire equity interest in Tianjin Property Company (which held Tianjin Property). The consideration offered by such purchaser for the equity interest in Tianjin Property Company, together with the funding which would be provided by the purchaser to Tianjin Property Company to repay the then outstanding loan owed by Tianjin Property Company to the Remaining Parentco Group, amounted to approximately HK\$672.1 million. The disposal was completed on 25 April 2013. Please refer to the section headed "History and development — Corporate history of the Group — 6. Disposal of interests in Tianjin Property Company" of this prospectus for further details of the disposal.

The Group acquired interest in Tianjin Property in May 2008 from the Japan Vendor at the consideration of approximately RMB288.4 million (which is equivalent to approximately HK\$362.5 million) in the course of Parentco Group's expansion of its department store operation in the PRC. Since the Parentco Group considered that Tianjin Property was not suitable for being operated as one of its chained department stores, the Group had the opportunity to add the property to the Group's portfolio. After the acquisition, the Group decided to renovate the property and change the layout for rental purpose. After completion of the renovation, the Group leased out the property to generate rental income, as the Group considered that its then market value could not be fully reflected after the financial crisis and could be further enhanced when pedestrian flow was built up. Tianjin Property was valued at approximately HK\$472.4 million as at 30 November 2011. In late 2012, the Group decided to realise the gain and entered into an agreement to dispose of such interest when it received an offer from the TJ Property Purchaser as the Group considered that there would be a sizable realised gain upon its disposal as compared to its acquisition cost and valuation as at 30 November 2011.

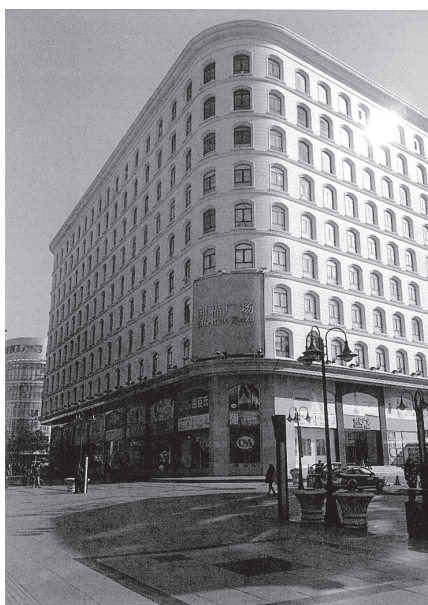
Tianjin Property is situated at No. 219 Binjiang Dao, Heping District, Tianjin. Tianjin is a metropolis in northern part of the PRC. In terms of urban population, it ranked in 2010 the sixth-largest city nationally. Binjiang Dao is one of the busiest commercial districts in Tianjin. Tianjin Property is located at the west of Haihe River, an area positioned as a shopping destination. Tianjin Property comprises a 11-storey commercial building erected on a 2-level basement.

BUSINESS

The table below sets out some brief details of Tianjin Property:

Site area	~4,171 sq.m.
GFA	
— above ground levels	~28,444 sq.m.
— basement	<u>~7,777 sq.m.</u>
Total:	<u>~36,221 sq.m.</u>
Lettable GFA	<u>~19,385 sq.m.</u>

Tianjin Property was completed in 2004. The property is held under a property ownership certificate for other commercial and services use with a land use term which will expire in 2046.



As of 31 December 2012, there were 19 tenants at Tianjin Property under various lease terms with the latest to expire in January 2019. The tenancy agreements entered into between Tianjin Property Company and the tenants were standard form tenancy agreements prepared by the Group with the tenancy term ranging from approximately 1 to 8 years. When considering the rental term, the Leasing Department will take into consideration a number of factors including the market rate, tenant's business nature, tenant's affordability, the physical conditions of the premises and the occupancy rate of the property. Two types of rents may be provided in the tenancy agreement, namely base rent and turnover rent. Base rent refers to the minimum or base amount of rent payment as set out in the tenancy agreements. Turnover rent is calculated based on an agreed percentage of the tenants' monthly gross turnover. Most of the tenants of Tianjin Property paid to the Group a monthly rental which is the higher of the turnover rent and the base rent stipulated in the tenancy agreements. Under the tenancy agreement entered into with CTF Beijing, the turnover rent is determined based on the agreed percentages of the turnover generated from sales of different products (such as gold, watches and pens) ranging

BUSINESS

from 1% to 13%. For tenants other than CTF Beijing, for the three years ended 31 December 2012 and the six months ended 30 June 2013, the turnover rent ranged from approximately 5% to 23%, 4% to 24%, 2% to 24% and 2% to 24% of the tenants' monthly gross turnover respectively. As the tenancy agreements were entered into between the tenants and Tianjin Property Company, the Group was not required to terminate any tenancy agreements as a result of the disposal of Tianjin Property Company. As at 31 December 2011 and 31 December 2012, the occupancy rate of Tianjin Property, which is calculated based on the leased area of the date indicated divided by the total lettable GFA, is approximately 81.7% and 64.3% respectively. The occupancy rate dropped in 2012 because of the implementation by the Group of certain tenant-mix adjustment programme, which was aimed at retaining tenants with larger business scale.

The table below sets out the information in relation to the Group's rental income, which was generated from Tianjin Property entirely, during the Track Record Period.

	For the year ended			For the six months	
	31 December			ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Rental income from a connected person	172	1,994	3,406	1,656	1,475
Rental income from Independent Third Parties	1,252	12,956	17,403	7,008	3,015
Total rental income	1,424	14,950	20,809	8,664	4,490
Rental yield ^(Note 1)	3.5% ^(Note 2)	3.2%	3.2%	N/A	N/A

Notes:

1. Rental yield is calculated on the basis of the annual rental income divided by the value of the property as at the end of the relevant year.
2. For the purpose of calculating the rental yield of 2010, since the Group recorded rental income in December 2010 only, the annual rental income of 2010 was annualised.

During the Track Record Period, the rental yield in respect of Tianjin Property remained relatively stable.

During the Track Record Period, the Group's turnover was entirely attributable to the rental income from Tianjin Property, which amounted to approximately HK\$1.4 million, HK\$15.0 million, HK\$20.8 million and HK\$4.5 million respectively. After the disposal of the equity interest in Tianjin Property Company in April 2013, the Group ceased to record any rental income and turnover. The Directors expect that the Group will not record any significant amount of turnover until income could be generated from the development project on Yifu Land.

BUSINESS

A significant portion of the fair value gain on the Group's investment properties in 2012 was attributable to Tianjin Property. After the disposal of Tianjin Property, as the Group's property portfolio became smaller, the Directors expect that the Group would record less fair value change from its remaining investment properties assuming the current market conditions remain substantially unchanged, unless its property portfolio is expanded subsequently.

PROPERTY ACQUISITION AND DEVELOPMENT

The project management team of the Group would generally take the following steps in the process of a property acquisition and development project:

Property and land acquisition

The Company considers that the site selection process is fundamental to the success of a property project. The project management team of the Group conducts in-depth market analysis in order to understand the relevant trends of a city before it commences or launches any property development. The team will conduct due diligence activities, including site analysis, sensitivity analysis, financial analysis and feasibility study of new land or potential project site and if necessary, engage external consultants such as architectural planner/designer, financial consultant, and surveyor to carry out the study. The team will also communicate with local government regarding future development policies and plans which may affect the potential project. If the team is satisfied with the result of such analysis and study, it will continue with its due diligence investigations and conduct a more detailed analysis of the potential acquisition. If the due diligence result is satisfactory, the team will prepare a detailed project design and budget analysis for consideration by Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) and/or Ms. Chan Chor Ling, Amy, the executive Directors of the Company, who will decide whether to recommend the proposed acquisition to the Board for approval.

The Group seeks to acquire land use rights through: public tenders, auctions and listings-for-sale from the PRC government. According to the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale 《招標拍賣掛牌出讓國有建設用地使用權規定》, which were promulgated by the Ministry of Land and Resources on 28 September 2007 and became effective on 1 November 2007, the PRC government may only grant land use rights in respect of state-owned land for business, tourism, entertainment and residential commodity property development purposes by way of public tenders, auctions or listings-for-sale. Please refer to the section headed "Summary of Principal PRC Legal and Regulatory Provisions" in Appendix IV to this prospectus for further details of the applicable PRC laws and regulations. The Group also seeks to acquire land use rights through purchasing properties/land use rights directly from third parties or acquiring companies that hold properties/land use rights. In addition, the Group will look out for suitable opportunities through referrals from its business network or from the locals in the neighbouring area and contacts with property agents. It will also seek land development opportunities from local governments in investment fairs held by them.

Ms. Chan Chor Ling, Amy, an executive Director, was the principal officer who supervised the project management team on the acquisition of Yifu Land and referred the proposal to the Parentco's board of directors for approval. Neither Ms. Chan nor the Parentco's board were

aware of the potential change of the height limit of Yifu Land when they decided to acquire Yifu Land. Please refer to the section headed “Directors, senior management and staff — Directors” for the biographies of Ms. Chan Chor Ling, Amy.

Acquisitions of Harbin Property, Qingdao Property and Hong Kong Properties were supervised by the responsible officers of Parentco Group who further referred the same to the board of the Parentco for approval.

Project design

The design planning team will continue to be responsible for generating the master planning for each of its projects. Once the master design concept of a property development project is established, the team will contract out the detailed project design work to the selected architectural and interior design institutions through a tender process. Selection of potential bidders are based on factors including tender price, their company reputation, job references, financial background, licence/certificate held by the company, management team (e.g. structure, background and experience), project team composition and experience and previous working experience with the Group. The Group’s design management team will then work with the selected design institution to determine the design of a particular property development.

Based on the master design concept, the external design institution would transform the concept into a more detailed design drawing, which must be approved by the relevant PRC governmental authorities and subsequently becomes the basis for the detailed design and construction of the project.

During the Track Record Period, the design fees paid by the Group were approximately HK\$12.4 million, HK\$3.4 million, HK\$8.6 million and HK\$3.8 million respectively. To their best knowledge, the Directors confirm that the designers engaged by the Group during the Track Record Period were Independent Third Parties.

Construction

Under the PRC regulations, prior to the commencement of construction, the Group as the developer must obtain various government approvals. In particular, the Group will be required to apply for and obtain various permits before construction can commence.

The Group has not maintained a designated construction team, but will contract out the construction work of its property developments to selected construction companies through a tender process. Such construction works include excavation, piling and foundation, civil works, interior decoration, mechanical and electrical installation and utilities installation. Appointments of third party contractors are done through tendering procedures. Selection of tenderers are based on factors including tender price, their company reputation, job references, financial background, license/certificate attained by the company, management team (e.g. structure, background, experience), project team composition and experience and previous working experience with the Group. Upon selection, a general contractor will enter into a construction contract with the Group.

BUSINESS

During the construction phase, the Group will work closely together with the contractors, project engineers and design firms to manage and monitor project progress. In particular, the project management department, by itself and/or through engaging suitable professionals, will monitor the on-site progress on a weekly basis and will conduct inspections, appraisals and reviews on a monthly basis to maintain quality control and effective and timely execution of the construction plan and to ensure that all necessary corrections can be made, or complications can be resolved, in a timely and effective manner. The project management team will also participate in and oversee acceptance procedures upon completion of each stage of the development to ensure the quality of the work of the contractors and design firms. The Group will also require its design planning team to provide constant supervision and conduct progress audits in order to ensure that construction progresses are in accordance with the design plan, budget and schedule. During the Track Record Period, no compensation or cost overrun reimbursement has incurred as a result of the failure of the design firms or contractors to meet the prescribed requirement.

It has been the Group's practice that for construction contracts, construction companies will be required (but subject to the final outcome of negotiations, which will be contained in the final signed construction contracts) to absorb the fluctuation of building materials prices and labour costs and other similar items in the total contract sum payable by the Group in order to control or lower the Group's risk and exposure to high volatility in prices of those raw materials.

During the Track Record Period, the construction fees paid by the Group were approximately HK\$60.6 million, HK\$70.5 million, HK\$5.8 million and HK\$1.1 million respectively. To their best knowledge, the Directors confirm that the contractors engaged by the Group during the Track Record Period were Independent Third Parties.

Management team's experience in undertaking property development projects

As disclosed in the paragraph headed "Competitive strengths — Experienced management team" above, the Company considers that its management team, comprising Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun), Mr. Lim Weling, Mr. Chan Chi Keung and Mr. Poon Ching Pui who have an average of approximately 10 years of experience in commercial and residential property development, is experienced in property development in the PRC and that the Group has sufficient management capability and expertise to undertake property development projects (including the Yifu Land) after the Spin-off in view of the following:

- (i) Since joining the Parentco Group, the two executive Directors (namely Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)) and the three senior management members (namely Mr. Lim Weling, Mr. Chan Chi Keung and Mr. Poon Ching Pui) have been with the project development division and new project division of the Parentco Group. The management team (with the support of the project development division of the Parentco Group) has completed a number of property projects for the Parentco Group, during the execution of which they have acquired substantial and concrete experience in different aspects of property development.

In particular, it should be noted that this team has been actively involved in the construction and development of the Jiuguang Shenyang Store (which is adjacent to the Yifu Land) and the Jiuguang department store of the Parentco Group in Suzhou, the PRC (“**Jiuguang Suzhou Store**”), which involved preparatory work including the obtaining of various licences and permits, the resettlement of existing occupiers (in the case of Jiuguang Shenyang Store) and liaison and coordination with the government authorities and different contractors throughout the development stage.

More specifically, in relation to the acquisition of the Original Site which was subsequently subdivided into the Yifu Land and the Zhuoyuan Land on which the Jiuguang Shenyang Store is situated as described in the paragraph headed “Property and property related interests — Prepaid Lease Payments — Yifu Land — Background” above, the team devoted efforts in various pre-acquisition and pre-construction work, including (i) site-visits to Shenyang, (ii) conducting feasibility study on estimated total cost (including land and demolition and relocation cost and construction cost) and retail sector of Shenyang, (iii) discussing, negotiating and entering into various agreements with the relevant government authorities in relation to the acquisition of the site, the demolition and relocation of all units thereon and the terms and conditions of the land grant, (iv) appointing architectural and consultancy firms to issue schematic, conceptual and detailed designs and drawings, (v) overseeing and collaborating with the relevant government authorities during the whole resettlement process (which involved (a) investigation and verification of the identities of the individual units and ownership and areas of their properties affected, (b) lengthy and complicated negotiation with vast number of individual units as to the amount of compensation payable for the resettlement, (c) assisting demolition unit to obtain the Housing Demolition Permit (房屋拆遷許可證)) and (d) monitoring and exercising close control over the resettlement costs to keep them within budget), and (vi) obtaining various licences and permits including Land Use Rights Certificate, Construction Land Planning Permit (建設用地規劃許可證), Construction Works Planning Permit (建設工程規劃許可證) and Construction Permit (建築工程施工許可證) for the Zhuoyuan Land.

In respect of the Jiuguang Suzhou Store, the team has also been involved in the obtaining of various licences and permits such as Land Use Rights Certificate, Construction Land Planning Permit (建設用地規劃許可證), Construction Works Planning Permit (建設工程規劃許可證) and Construction Permit (建築工程施工許可證) and the passing of the fire inspection procedures at various stages of the construction and development process before obtaining the Property Ownership Certificate in August 2010.

As at the Latest Practicable Date, with the support and efforts of the aforesaid experienced project development team, construction and development of the Jiuguang Suzhou Store has been completed whereas the construction and development of the Jiuguang Shenyang Store is close to completion and the store is expected to be debuted in the second half of 2013.

BUSINESS

In addition, Shenyang Jiajian (of which the Group still owns 10% attributable interest through Leadplus HK) has started the pre-sale of units at Sun Plaza since the obtaining of the pre-sale permit in 2012. The management team has been monitoring and providing assistance to Shenyang Jiajian in its pre-sale process (including the obtaining of the pre-sale permit). Going forward, the Group will also recruit suitable candidates, if necessary, to support the team in respect of the sales of the Group's properties.

- (ii) The two executive Directors and the three senior management members of the Group possess educational background and/or relevant experience prior to joining the Parentco Group which are valuable to the success of property development projects. For details of their biographies, please refer to the section headed "Directors, senior management and staff" of this prospectus.
- (iii) In view of the Spin-off, the two executive Directors and the three senior management members, together with all the staff members employed under the project development division and new project division of the Parentco Group, were transferred to the Group to serve the Group's business. As at the Latest Practicable Date, the project management department of the Group, supervised by Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun), comprised 20 staff members.
- (iv) Mr. Thomas Lau, the managing and executive director of Parentco, is also the chairman and non-executive director of the Company. As a managing and executive director of Parentco, he was and is responsible for overseeing the overall property development process of the Parentco Group. He also served as a chairman and executive director of Chinese Estates Holdings Limited (a company listed on the Stock Exchange with stock code: 127) ("**Chinese Estates**") from June 1989 to December 2006. The principal businesses of Chinese Estates and its subsidiaries at that time included property investment and development in Hong Kong and the PRC. With his substantial experience in property investment and development, Mr. Thomas Lau can also provide the Group with his valuable vision, insight and advice, at both the operational and strategic levels, on the property development projects of the Group.

PROPERTY LEASING

Below is the policy adopted for Tianjin Property before its disposal in April 2013, and such policy will continue to be generally adopted as the Group's leasing policy.

Generally, the Group will check the vacancy and occupancy rates of the properties regularly. It will examine and review the reasons for the vacancy and determine the corresponding actions to be taken so as to enhance the occupancy rate. Factors which may affect occupancy rate include: rental rates, accessibility and availability of complementary facilities in the district in which the property is situated, property positioning, trade mix and marketing strategies. Apart from in-house marketing team support, the Group may resort to external promotion assistance for the implementation of marketing plans and the production of marketing materials.

BUSINESS

To decide whether to accept a leasing request, the Group has to consider if the business of a prospective tenant is compatible with its trade mix, if the prospective tenant can enhance the traffic flow and other values that it may bring to the property. Furthermore, the Group will review the prospective tenant's business nature, pricing strategy, quality of products, target consumers, financial status, previous rental payment records, legal liabilities, establishment, previous sales performance as well as the prospective tenant's guarantees.

The tenancy agreements entered into between the Group and the tenants are standard form tenancy agreements prepared by the Group. When considering the rental terms, the Group will take into consideration a number of factors including the prevailing market rate, tenant's business nature, tenant's affordability, physical conditions of the premises and the occupancy rate of the property. Two types of rent may be provided in the tenancy agreement, namely base rent and turnover rent. Base rent refers to the minimum or base amount of rent payable as set out in the tenancy agreements. Turnover rent is calculated based on an agreed percentage of the tenants' monthly gross turnover.

Staff of the Group will monitor the tenants' business performance by examining the tenants' turnover records and the traffic flow of the property. If they find that the traffic flow of the property is not satisfactory, appropriate measures, such as marketing campaign, will be taken out to boost the traffic flow of the property. They will also review and check the tenants' turnover records on a monthly basis to ensure that the amounts of monthly turnover reported by the tenants to the Group for the purpose of determining the amounts of turnover rent are correct and have not been understated. In respect of monitoring the payment of monthly rents, the staff will closely follow up with the relevant tenant and issue reminder or (where necessary) demand letter whenever there is a delay in payment by more than three days. Where the rent is overdue for more than seven days, the staff will report the matter to the management of the Group for determining the appropriate course of actions to be taken (including whether it is necessary to terminate the tenancy agreement and/or take legal proceedings for the recovery of the rents). The previous rental payment record of the tenants is a factor for the Group to consider in making any rent review or tenancy renewal decision.

INVESTMENT POLICIES ADOPTED BY THE GROUP IN ACQUIRING AND DISPOSING OF INVESTMENT PROPERTIES

Acquisition of investment properties

The Group has adopted the following investment policies in acquiring investment properties:

- (i) when considering an investment opportunity, especially in the PRC, the Group will assess the potential of the properties for moderate to high capital appreciation (around 30% to 50%) on the basis of a holding period of three to five years taking into account, among others, the location and size of the property, the surrounding environment and facilities (such as transport links and city planning), the mix of uses that can be accommodated in the property, the physical conditions and possibility of creating value in the property through renovation or other enhancement work and the supply and demand characteristics and the overall level of competition in the local market; and

- (ii) though the Group will assess the potential of the properties for moderate to high capital appreciation as mentioned above, the Group does not have any specific pre-determined threshold of future capital appreciation for property investment projects. The Group considers that the question as to whether it is beneficial for the Group to pursue an investment should be assessed on a case-by-case basis taking into account various factors such as the property market and general economic conditions at the material time, other property investment opportunities available and the expected income and cashflow which may be generated. However, the Group will generally expect, on the basis of a holding period of three to five years, the average annual capital appreciation of its investment properties to at least exceed the annual rental yield which may be generated by investing in comparable properties of similar size and nature at similar location.

When the Group identifies a potential opportunity for acquisition of investment properties, the project management team will conduct in-depth market analysis to understand the price and rental trends of the city in which the relevant properties are located, conduct due diligence activities (such as on-site inspection, conducting financial analysis and/or feasibility study and obtaining independent valuation), prepare budget analysis and assess the potential for capital appreciation based on the findings for consideration by Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) and Ms. Chan Chor Ling, Amy, the executive Directors of the Company. Decisions on acquisition of investment properties will be made by the Board.

Disposal of investment properties

The Group will consider a number of factors when reaching a decision to dispose of its investment properties, including (i) the market price and latest available valuation of the relevant property and the potential for further capital appreciation if the Group continues to hold the property; (ii) the availability and terms of offers from potential buyers; (iii) the conditions of the property and rental market and overall economic outlook at the material time; (iv) the then rental performance of the property (if applicable); (v) the availability of other investment opportunities for the Group; and (vi) the level of borrowings and working capital requirement of the Group from time to time.

The Group receives enquiries from potential buyers expressing their interest in acquiring the Group's investment properties from time to time. The Group will also identify potential purchasers through referrals from its business network and through contacts with property agents. When enquiries or offer are received from potential purchasers or potential purchasers are identified, the project management team will prepare a report for the proposed disposal setting out, among others, the background information of the purchasers, the proposed or indicative terms of the offer (where applicable), and the relevant information of the property including its market price and latest available valuation, recent transaction prices of other similar properties in its vicinity, its conditions and the then rental performance of the property (if applicable) for consideration by Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) and Ms. Chan Chor Ling, Amy, the executive Directors of the Company. Decisions on disposal of investment properties will be made by the Board.

Regular review of the Group's property portfolio

The Group's management reviews its property portfolio on a regular basis (quarterly) and normally, management will consider the prospects of the property and rental market and the overall economic outlook, evaluate the status of the Group's properties and explore viable options to maximise the earnings and value of such properties (such as leasing out the relevant property for rental income and undertaking renovation or other enhancement work for the property as and when appropriate). Management will also consider potential investment opportunities identified and at the same time assess whether it is an appropriate time to realise the Group's investment.

ENVIRONMENTAL AND SAFETY MATTERS

Being an operator and developer of properties in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment.

During the Track Record Period, the Group did not experience any material environmental pollution incidents. As advised by the Group's PRC Legal Advisers and confirmed by the Company, during the Track Record Period and as at the Latest Practicable Date, the Group had been and was in compliance with all material respects with the applicable environmental laws and regulations of the PRC. The annual cost of compliance with applicable environmental rules during the Track Record Period was approximately HK\$435,000, HK\$212,000, HK\$43,000 and nil respectively. The cost in connection with the Group's environmental compliance is expected to increase following the commencement of construction of Yifu Land.

The Directors confirm that the Group's operations are in compliance with the applicable national and local environmental and health and safety laws and regulations in all material respects. There is however a risk that compliance with the laws and regulations on the environment protection and safety measures may result in delays in development, substantial costs and may prohibit or severely restrict project development activity.

REGULATORY COMPLIANCE

Non-compliance Incidents

The table below sets out details of certain non-compliance incidents of the Group during the Track Record Period and the status thereof as at the Latest Practicable Date:

No.	Non-compliance incident	Reasons	(i) Legal consequences (ii) Financial impacts, and whether provision has been made	(a) Identity and position of the Directors/senior management involved (b) Rectifications taken/to be taken, and the latest status (c) Measures to prevent any further breaches
1.	Ever Better, Upper Vision and Leadplus HK failed to lay their audited accounts in their annual general meetings (or by way of written resolutions of the sole shareholder passed in lieu thereof) and/or lay audited accounts made up to a date falling not more than nine months under section 122 of the Companies Ordinance (Ever Better: for annual general meetings from 2008 to 2010 and Leadplus HK: for annual general meetings in 2009 and 2010)	Due to the inadvertent oversight of the past accounting and company secretarial staff/officers of the Parentco Group (and in respect of the non-compliance which took place before Leadplus HK became a member of the Parentco Group, to the belief of the Company, the then accounting and company secretarial staff/officers in handling the accounting and company secretarial matter of Leadplus HK) in arranging for the preparation and/or the adoption of the audited accounts and the sole shareholder's written resolutions of these companies in the manner prescribed under section 122 of the Companies Ordinance.	<p>(i) If any person being a director of a company fails to take all reasonable steps to comply with the provisions of section 122 of the Companies Ordinance, he shall, in respect of each offence, be liable to a fine of up to HK\$300,000 and 12 months' imprisonment.</p> <p>The High Court of Hong Kong has made orders that the requirement under section 122 of the Companies Ordinance to lay the audited accounts covering the relevant periods at the annual general meetings (or by way of written resolutions of the sole shareholder passed in lieu thereof) of these companies be substituted and extended accordingly. As such, all relevant audited accounts have been laid in compliance with the extended time and manner as specified in the court orders.</p> <p>(ii) In view that the High Court of Hong Kong has granted the relevant court orders and all relevant audited accounts have been laid in compliance with the extended time and manner as specified in the court orders, no provision has been made by the Company in this connection.</p>	<p>(a) The past accounting and company secretarial staff/officers of the Parentco Group (and in respect of the non-compliance which took place before Leadplus HK became a member of the Parentco Group, to the belief of the Company, the then accounting and company secretarial staff/officers in handling the accounting and company secretarial matter of Leadplus HK).</p> <p>(b) The High Court of Hong Kong made orders that the requirement under section 122 of the Companies Ordinance to lay the audited accounts covering the relevant periods at the annual general meetings (or by way of written resolutions of the sole shareholder passed in lieu thereof) of these companies be accordingly substituted by and extended to the written resolutions of the sole shareholder of the relevant companies passed in lieu of the annual general meeting or general meeting where all the audited accounts in question were laid and adopted. As such, all relevant audited accounts were laid in compliance with the extended time and manner as specified in the court orders.</p> <p>(c) The finance manager of the Group will instruct the auditors to issue the audited accounts of each relevant subsidiary of the Company in timely manner and report the progress to the senior management team within a reasonable time before every annual general meeting of each relevant subsidiary of the Company, and the Group will strengthen its internal control and training to its staff and officers to ensure full compliance of the relevant laws and regulation.</p>

No.	Non-compliance incident	Reasons	Legal consequences (i) (ii) (iii)	Identity and position of the Directors/senior management involved Rectifications taken/to be taken, and the latest status Measures to prevent any further breaches
2.	<p>Tianjin Property Company might have engaged in activities outside the registered business scope.</p> <p>The business scope stated in the business licence of the Tianjin Property Company before the change of business scope in 2012 included: commercial retailing (general merchandise, apparel, furniture, clothing, cosmetics) beauty salons, food and beverage, in-store retailing of tobacco and wine (limited to operation by branches), property management on the leased spaces and housing* (商業零售 (日用百貨、服裝、家具、服飾、化妝品); 美容美髮, 餐飲, 店內煙酒零售 (限分支機構經營); 對出租場地, 房屋進行物業管理).</p> <p>In accordance with the relevant PRC registration regulations for corporations, a corporate legal person should operate the business within the registered business scope. However, the PRC Legal Advisers are of the view that due to the unclear presentation of the business scope in the then certificate of approval and business licence of Tianjin Property Company, there are uncertainties as to whether part of the operations of Tianjin Property Company in the category of store and counter leasing would have exceeded its then registered business scope prior to December 2012 upon the issue of the new business licence with the registered business scope extended.</p> <p>The PRC Legal Advisers have further advised that the business scope of the sole branch of Tianjin Property Company in Tianjin had exceeded the registered business scope of Tianjin Property Company in that the operation of commercial business centres and car parks and the leasing of venue and properties were not covered in the then business scope of Tianjin Property Company.</p>	<p>It was the Group's understanding that leasing of self-owned property was not an activity outside its business scope, because (i) Tianjin Property Company has been leasing its self-owned property since the commencement of business operation of the Tianjin Property in December 2010 and has never been informed by the Tianjin AIC that such practice was in violation of laws, nor been penalised for engaging in such activities; (ii) Tianjin Property Company has passed the AIC annual inspections in the past when it was a member of the Group. Pursuant to Measures on the Annual Inspection of Enterprises (企業年度檢驗辦法) promulgated by State Administration of Industry and Commerce (SAIC) on 24 February 2006, under the annual inspection, AIC will examine the conditions related to the registered items of enterprises including whether the business activities actually engaged by the enterprises are within their registered business scope. Pursuant to the Implementation of A Pilot Program of The Joint Annual Inspection of Foreign-Invested Enterprises (對外商投資企業實行聯合年檢的試行方案) jointly promulgated by SAIC, the State Administration of Foreign Exchange, Ministry of Finance, the State Economic and Trade Commission, Ministry of Foreign Trade and Economic Cooperation (currently the Ministry of Commerce) and State Administration of Taxation (collectively "Joint Annual Inspection Authorities") on 26 December 1996, the annual inspection of foreign-invested enterprises ("Joint Annual Inspection") shall be jointly conducted by the Joint Annual Inspection Authorities, in which the information of the foreign-invested enterprises shall be shared among the Joint Annual Inspection Authorities (since 2007 the Joint Annual Inspection has been implemented via online annual inspection system which can be accessed by all the Joint Annual Inspection Authorities) and if any one of the Joint Annual Inspection Authorities identifies any incompliance issue of the foreign-invested enterprises, it shall inform the other Joint Annual Inspection Authorities in a timely manner; (iii) Tianjin Property Company has used the special invoices for lease business by Tianjin Municipal Taxation Department in its operation which contain, among others, the following information: (a) Industry category: leasing industry; (b) Item category: rental income and (c) Settlement items: rental.</p>	<p>(i) According to the PRC Legal Advisers, where a company carries out business activities exceeding the registered business scope, the registration authority may order the default company to complete the registration within a given timeframe, impose a fine of more than RMB10,000 and not exceeding RMB100,000 failing such registration within given timeframe or revoke its business license in the case of a serious breach.</p> <p>In respect of the matter that the business scope of the branch had exceeded the scope of Tianjin Property Company, the legal consequences of such violation have not been expressly stipulated under relevant regulations.</p> <p>(ii) In view of the insignificant amount of the fine which may be imposed and the unlikelihood of being penalised for the possible breach, no provision was made in this regard.</p>	<p>(a) Mr. Cheung Tak Ming, the senior division manager of finance and accounts division of the Parentco.</p> <p>(b) See note below</p> <p>(c) The Group will seek proper advice from its professional advisers before commencing new companies' operation and comply with its internal control procedures prevailing from time to time.</p> <p>The Directors are of the view that such possible non-compliance incident shall not have material adverse effect on the business and operation of the Group as a whole.</p>

- (a) Identity and position of the Directors/senior management involved
- (b) Rectifications taken/to be taken, and the latest status
- (c) Measures to prevent any further breaches

- (i) Legal consequences
- (ii) Financial impacts, and whether provision has been made

Reasons

No. Non-compliance incident

Note: The Group applied for the change of Tianjin Property Company business scope respectively and successively with (1) Heping District Development and Reform Commission on 15 August 2012, (2) Heping District Cooperation and Communication Office on 24 September 2012, (3) Tianjin Municipal Commerce Commission on 11 October 2012, and (4) Tianjin AIC on 6 December 2012. Prior to the execution of the TJ Disposal Agreement the Group has obtained all necessary approvals from the above government authorities for expanding the business scope of Tianjin Property Company to the effect that the store and counter leasing business (店面、柜台出租) and the operation of commercial business centres and car parks were covered in the certificate of approval and business license issued to the Tianjin Property Company.

Prior to the application for change of the business scope of Tianjin Property Company in 2012, Tianjin Property Company and the PRC Legal Advisers have made verbal consultation with the AIC of Heping District of Tianjin ("Heping AIC"). Heping AIC considered that the leasing of self-owned property by Tianjin Property Company had not exceeded its registered business scope, but suggested Tianjin Property Company to further consult the matter with the AIC of Tianjin Municipality ("Tianjin AIC"). As the Tianjin Property Company is situated in the Heping District of Tianjin, Heping AIC takes direct responsibility in supervising the daily operation of the Tianjin Property Company in Heping District as well as acting as the interface between Tianjin AIC and Tianjin Property Company for the annual inspection matter. Accordingly, it is common local practice to seek consultation on matters governed by AIC with the Heping AIC in the first place instead of the Tianjin AIC. Upon consultation with the Tianjin AIC, Tianjin Property Company applied for the change of its business scope as suggested by the Tianjin AIC which application was approved and no penalty was imposed on Tianjin Property Company.

Given (a) there were different interpretations of officials of the district and municipal levels of the AICs on whether the leasing of self-owned property by Tianjin Property Company is beyond its business scope, (b) the Tianjin AIC approved the change of the business scope of Tianjin Property Company without imposing penalty and (c) the matters as stated in the second column headed "Reasons" on this page of the prospectus, the PRC Legal Advisers are of the view that the nature of such leasing business activity and whether such activity had exceeded the then registered business scope of Tianjin Property Company hence constituting legal non-compliance matter are uncertain in practice. Based on the above analysis, the PRC Legal Advisers are of the view that the likelihood of Tianjin Property Company being penalized by the Tianjin AIC for leasing of self-owned property prior to its change of business scope in 2012 is low and it is not a material non-compliance incident.

In addition, the disposal of Tianjin Property Company by the Group was completed in April 2013. The PRC Legal Advisers are of the opinion that the Group would not be liable for the non-compliance in respect of Tianjin Property Company after the disposal under the applicable PRC laws and the TJ Disposal Agreement given that (i) the Tianjin Property Company was disposed of to the TJ Property Purchaser on "as is" basis; (ii) prior to the execution of the TJ Disposal Agreement, as far as the Company is aware of, the TJ Property Purchaser had engaged its legal advisers to conduct due diligence on the Tianjin Property and Tianjin Property Company. The Group had provided relevant documents concerning the Tianjin Property and Tianjin Property Company to the TJ Property Purchaser and its legal advisers as requested by them during the due diligence process; and (iii) the Group did not make any representation or warranty that the Tianjin Property Company had no non-compliance, except that certain clauses of the TJ Disposal Agreement including confidentiality and indemnity for breach of representations and warranties shall survive after completion of the TJ Disposal Agreement.

No.	Non-compliance incident	Reasons	(i) Legal consequences (ii) Financial impacts, and whether provision has been made	(a) Identity and position of the Directors/senior management involved (b) Rectifications taken/to be taken, and the latest status (c) Measures to prevent any further breaches
3.	<p>Tianjin Property Company failed to complete the filing for its property leasing business.</p> <p>Tianjin Property has been leased out in separate units and the Group has received rental payments from tenants. As advised by the PRC Legal Advisers, Tianjin Property Company violated the relevant local regulations that Tianjin Property Company as an entity engaged in the property leasing business had failed to complete the requisite filings with the local real estate administration bureau.</p>	<p>Tianjin Property Company has passed the AIC annual inspections in the past when it was a member of the Group and Tianjin Property Company has used the special invoices for lease business by Tianjin Municipal Taxation Department in its operation. Further, though it is prescribed by the applicable local law that filing for the property leasing business with the local real estate administration bureau is required, it is not unusual as a local practice that corporate entities engaging in such business in Tianjin choose not to make such filing unless the relevant authority has advised or requested to do so. The Tianjin Property Company was not advised or requested by the relevant authorities to complete the filing.</p>	<p>(i) As advised by the PRC Legal Advisers, in respect of such non-compliance, the relevant authorities may impose a rectification order for complying with the filing formality within a given timeframe and a fine of more than RMB1,000 and not exceeding RMB30,000.</p> <p>(ii) In view of the insignificant amount of the fine which may be imposed, no provision was made in this regard.</p>	<p>(a) Mr. Cheung Tak Ming, the senior division manager of finance and accounts division of the Parentco.</p> <p>(b) See note below</p> <p>(c) The Group will ensure to complete all filing and registration procedure according to local laws and regulations by consulting professional advisers and comply with its internal control procedure as updated from time to time.</p>

Note: The disposal of Tianjin Property Company by the Group was completed in April 2013. The PRC Legal Advisers are of the opinion that the Group would not be liable for the non-compliance in respect of Tianjin Property Company after the disposal under the applicable PRC laws and the TJ Disposal Agreement given that (i) the Tianjin Property Company was disposed of to the TJ Property Purchaser on "as is" basis; (ii) as far as the Company is aware of, the TJ Property Purchaser had engaged its legal advisers to conduct due diligence on the Tianjin Property and Tianjin Property Company. The Group had provided relevant documents concerning the Tianjin Property and Tianjin Property Company to the TJ Property Purchaser and its legal advisers as requested by them during the due diligence process; and (iii) the Group did not make any representation or warranty that the Tianjin Property Company had no non-compliance, except that certain clauses of the TJ Disposal Agreement including confidentiality and indemnity for breach of representations and warranties shall survive after completion of the TJ Disposal Agreement.

According to the PRC Legal Advisers, this non-compliance incident is not material in nature and the Directors are of the view that it shall not have a material adverse effect on the business and operation of the Group as a whole.

Given (i) that disposal of Tianjin Property Company was completed in April 2013; and (ii) the insignificant amount of maximum fine which may be imposed, the Directors are of the view that obtaining confirmation from competent authorities or government bodies on whether penalties or other actions will be imposed on the Group is not feasible.

No.	Non-compliance incident	Reasons	(a) Identity and position of the Directors/senior management involved
4.	<p>Tenancy agreements in respect of Tianjin Property failed to be duly registered and filed with the local real estate administration bureau.</p>	<p>(i) Legal consequences</p> <p>(ii) Financial impacts, and whether provision has been made</p> <p>(i) As advised by the PRC Legal Advisers, failure to complete the registration and filing of tenancy agreements will not affect their legal validity between the contracting parties. However, the Tianjin real estate administration bureau or its branches may impose administrative penalties such as ordered rectification within a given timeframe, failing such registration and filing within given timeframe, a fine not exceeding RMB30,000 will be imposed in accordance with the local regulations.</p> <p>(ii) In view of the insignificant amount of fine which may be imposed, no provision was made in this regard.</p>	<p>(a) Mr. Cheung Tak Ming, the senior division manager of finance and accounts division of the Parentco.</p> <p>(b) The disposal of Tianjin Property Company by the Group was completed in April 2013. The PRC Legal Advisers are of the opinion that the Group would not be liable for the non-compliance in respect of Tianjin Property Company after the disposal under the applicable PRC laws and the TJ Disposal Agreement given that (i) the Tianjin Property Company was disposed of to the TJ Property Purchaser on "as is" basis; (ii) prior to the execution of the TJ Disposal Agreement, as far as the Company is aware of, the TJ Property Purchaser had engaged its legal advisers to conduct due diligence on the Tianjin Property and Tianjin Property Company. The Group had provided relevant documents concerning the Tianjin Property and Tianjin Property Company to the TJ Property Purchaser and its legal advisers as requested by them during the due diligence process; and (iii) the Group did not make any representation or warranty that the Tianjin Property Company had no non-compliance, except that certain clauses of the TJ Disposal Agreement including confidentiality and indemnity for breach of representations and warranties shall survive after completion of the TJ Disposal Agreement.</p>
		<p>Further, though it is prescribed by the national and local laws that registration of tenancy agreement by either the landlord or tenant is required, it is not unusual as a local practice that parties choose not to make such registration because the major legal consequence is that the agreement concerned may not be enforced against third parties. In other words, the agreement is still enforceable by a party to the agreement against another. In this connection, the risk encountered by the landlord (for enforcing a tenancy agreement against a third party) is relatively low. In addition, the penalty provisions apply only when the party(ies) fail(s) to comply with the building & land administration's demand for rectification (i.e. failure to make registration after the lapse of the period prescribed by the relevant department making a rectification demand). The Group shall have the chance to make registration upon the receipt of rectification order from the Tianjin real estate administration bureau before it may be imposed any monetary penalty.</p>	<p>(b) Rectifications taken/to be taken, and the latest status</p> <p>(c) Measures to prevent any further breaches</p> <p>According to the PRC Legal Advisers, this non-compliance incident is not material in nature and the Directors are of the view that it shall not have a material adverse effect on the business and operation of the Group as a whole.</p>

No.	Non-compliance incident	Reasons	(a) Identity and position of the Directors/senior management involved	(b) Rectifications taken/to be taken, and the latest status	(c) Measures to prevent any further breaches
			<p>(i) Legal consequences</p> <p>(ii) Financial impacts, and whether provision has been made</p>		<p>(a) Identity and position of the Directors/senior management involved</p> <p>(b) Rectifications taken/to be taken, and the latest status</p> <p>(c) Measures to prevent any further breaches</p>
					<p>(c) Given (i) that disposal of Tianjin Property Company was completed in April 2013; and (ii) the insignificant amount of maximum fine which may be imposed, the Directors are of the view that obtaining confirmation from competent authorities or government bodies on whether penalties or other actions will be imposed on the Group is not feasible.</p> <p>The Group will ensure to complete all filing and registration procedure according to local laws and regulations by consulting professional advisers and comply with its internal control procedure as updated from time to time.</p>

No.	Non-compliance incident	Reasons	(i) Legal consequences (ii) Financial impacts, and whether provision has been made	(a) Identity and position of the Directors/senior management involved (b) Rectifications taken/to be taken, and the latest status (c) Measures to prevent any further breaches
5.	<p>Tianjin Property Company provided general property management services to tenants of its own and self-operated property without possessing the property management qualification certificate.</p> <p>Tianjin Property Company had provided the property management services to general tenants of its Tianjin Property with general limited amount of management fees of approximately RMB0.5 million, RMB4.9 million, RMB5.0 million and RMB0.8 million during the Track Record Period respectively without possessing property management qualification certificate. As advised by the PRC Legal Advisers, in accordance with relevant PRC laws and regulations, a property management enterprise is required to obtain the property management qualification certificate before engaging in the property management business in the PRC.</p>	<p>The Group used to self-manage all its self-owned properties so as to fit into its own operation mode. It was the Group's understanding that property management service could be provided to its self-owned property without possessing the property management qualification certificate.</p> <p>The Group follows Parentco Group's practice in Hong Kong and used to separate the income portion from all other types of disbursement, such as promotional fee, maintenance fee etc. The expenses for property management and maintenance is one of the Group's disbursement which it listed out for the Group's tenants for easy reference. The Group believes the said breach was due to mistake in using the terminology.</p>	<p>(i) A company engaging in property management services without possessing the property management qualification certificate could be subject to a confiscation order for all illegal earnings and a fine of more than RMB50,000 and up to RMB200,000 imposed by the local real estate administration bureau.</p> <p>(ii) In view of the unlikelihood of being penalised for the breach, no provision was made in this regard.</p>	<p>(a) Mr. Cheung Tak Ming, the senior division manager of finance and accounts division of the Parentco.</p> <p>(b) See note below</p> <p>(c) The Group will seek proper advice from its professional advisers before commencing new companies' operation and comply with its internal control procedures as updated from time to time.</p> <p>The Directors are of the view that such possible non-compliance shall not have a material adverse effect on the business and operation of the Group as a whole.</p>

- (a) Identity and position of the Directors/senior management involved
- (b) Rectifications taken/to be taken, and the latest status
- (c) Measures to prevent any further breaches

- (i) Legal consequences
- (ii) Financial impacts, and whether provision has been made

Reasons

No. Non-compliance incident

Note: Based on the opinion of the PRC Legal Advisers, the PRC Property Law provides that landlords are permitted to manage its own property. Further, there are no express provisions under laws and authoritative interpretation notes given by the PRC authority that the charging of fees by Tianjin Property Company, as landlord, to tenants of Tianjin Property will be treated as “providing property management services without possessing a property management qualification certificate” under the Property Management Regulations of the PRC (“PM Regulations”). In addition, the PRC Legal Advisers are not aware of precedent cases where landlord being penalised under the PM Regulations for receiving property management fee in managing its own property.

The PRC Legal Advisers verbally consulted the relevant local real estate administration bureau and was given to understand that a property owner is allowed to manage its own property without holding any property management qualification certificate, provided that no management fees shall be charged for the provision of any property management services. To avoid being deemed as conducting property management services, prior to the completion of the TJ Disposal Agreement, the Group carried out certain remedial measures, including but not limited to that no management fees were charged on new tenants since late 2012, and negotiations were made with the then existing tenants for ceasing to charge them management fee separately before the disposal of the Group’s interest in Tianjin Property by the Group. The negotiations ceased upon the completion of the disposal.

The disposal of Tianjin Property Company by the Group was completed in April 2013. The PRC Legal Advisers are of the opinion that the Group would not be liable for the non-compliance in respect of Tianjin Property Company after the disposal under the applicable PRC laws and the TJ Disposal Agreement given that (i) the Tianjin Property Company was disposed of to the TJ Property Purchaser on “as is” basis; (ii) prior to the execution of the TJ Disposal Agreement, as far as the Company is aware of, the TJ Property Purchaser had engaged its legal advisers to conduct due diligence on the Tianjin Property and Tianjin Property Company. The Group had provided relevant documents concerning the Tianjin Property and Tianjin Property Company to the TJ Property Purchaser and its legal advisers as requested by them during the due diligence process; and (iii) the Group did not make any representation or warranty that the Tianjin Property Company had no non-compliance, except that certain clauses of the TJ Disposal Agreement including confidentiality and indemnity for breach of representations and warranties shall survive after completion of the TJ Disposal Agreement.

On the above grounds, the PRC Legal Advisers are of the opinion that the likelihood of Tianjin Property Company being penalised by the relevant PRC authorities, including the confiscation of illegal earnings and the fine, in connection with the potential non-compliance concerned is low.

Given (i) the uncertainties of whether the Group has conducted this non-compliance matter due to interpretation of the applicable laws and regulations; (ii) that disposal of Tianjin Property Company was completed in April 2013; and (iii) the unlikelihood of the punishment, the Directors are of the view that obtaining confirmation from competent authorities or government bodies on whether penalties or other actions will be imposed on the Group is not feasible.

No.	Non-compliance incident	Reasons	(i) Legal consequences (ii) Financial impacts, and whether provision has been made	(a) Identity and position of the Directors/senior management involved (b) Rectifications taken/to be taken, and the latest status (c) Measures to prevent any further breaches
6.	<p>There were irregularities in relation to the termination of certain employment contracts by Tianjin Property Company.</p> <p>On 17 August 2012, Tianjin Property Company terminated the employment contracts with 29 employees due to its tenant-mix adjustment programme. Tianjin Property Company briefed neither the labor union nor all employees about the circumstances and also failed to solicit their opinions 30 days prior to the termination. As advised by the PRC Legal Advisers, Tianjin Property Company had failed to brief the labor union or all employees about the termination event and solicit their opinions 30 days prior to the termination. Accordingly, the above termination may have breached the relevant labor laws and regulations.</p>	<p>Tianjin Property Company wanted to execute the redundancy exercise swiftly to avoid unnecessary interruption to its operation.</p> <p>Further, there is no labor union for the Tianjin Property Company.</p>	<p>(i) In accordance with relevant labour laws and regulations, where an employing unit terminates a labor contract in violation of the provisions thereof, and the employee requests the continuous performance of the labor contract, the employing unit shall continue to perform the same. Where the employee does not request the continuous performance of the labor contract or the labor contract cannot be performed continuously, compensation shall be made to the employee at the amount equal to twice the severance payment which the employees are entitled to should the labour contract have been lawfully terminated.</p> <p>(ii) Economic compensation has been paid to the employees at an amount higher than the statutory requirement and all employees have acknowledged receipt of such compensation. No provision was made in this regard.</p>	<p>(a) Mr. Cheung Tak Ming, the senior division manager of finance and accounts division of the Parentco.</p> <p>(b) See note below</p> <p>(c) The Group will ensure to deal with all employment issue according to local laws and regulations, seek professional advice and comply with its internal control procedures as updated from time to time.</p> <p>In light of the actions taken so far to rectify such defaults, the Directors are of the view that the above issue shall not materially and adversely affect the business and operations of the Group as a whole.</p>
	<p>Note: According to the termination notices the Group issued to the 29 employees, and as confirmed by the Group, the Group has paid to each of the 29 employees economic compensation at an amount higher than that provided by relevant labour laws and regulations. The total amount of compensation paid to the 29 employees was RMB532,343, which consisted of severance payment for termination of labor contracts at an amount of RMB486,606 and the compensation for untaken annual leave at an amount of RMB45,737.</p> <p>The statutory severance payment to which the 29 employees may be entitled for termination of labor contracts under the relevant labor laws and regulations amounted to approximately RMB240,000. Even if the above termination is deemed as unlawful termination, the maximum penalty to which the 29 employees may be entitled amounted to twice the above statutory severance payment which the employees may be entitled to, (i.e. approximately RMB480,000). Accordingly and as advised by the PRC Legal Advisers, it is not very likely that Tianjin Property Company be subject to any additional compensating liabilities.</p> <p>The disposal of Tianjin Property Company by the Group was completed in April 2013. The PRC Legal Advisers are of the opinion that the Group would not be liable for the non-compliance in respect of Tianjin Property Company after the disposal under the applicable PRC laws and the TJ Disposal Agreement given that (i) the Tianjin Property Company was disposed of to the TJ Property Purchaser on "as is" basis; (ii) prior to the execution of the TJ Disposal Agreement, as far as the Company is aware of, the TJ Property Purchaser had engaged its legal advisers to conduct due diligence on the Tianjin Property and Tianjin Property Company. The Group had provided relevant documents concerning the Tianjin Property and Tianjin Property Company to the TJ Property Purchaser and its legal advisers as requested by them during the due diligence process; and (iii) the Group did not make any representation or warranty that the Tianjin Property Company had no non-compliance, except that certain clauses of the TJ Disposal Agreement including confidentiality and indemnity for breach of representations and warranties shall survive after completion of the TJ Disposal Agreement.</p> <p>Given (i) that disposal of Tianjin Property Company was completed in April 2013; and (ii) it has paid economic compensation to those employees at an amount higher than the statutory requirement, the Directors are of the view that obtaining confirmation from competent authorities or government bodies on whether penalties or other actions will be imposed on the Group is not feasible.</p>			

BUSINESS

As at the Latest Practicable Date, the Group had not been penalised in connection with its non-compliance incidents.

Lichen Company completed registrations for social insurance and housing provident fund on 23 April 2013. However, such timing of registrations is beyond 30 days after the establishment of Lichen Company on 18 December 2012 as required by the relevant PRC laws. Failure to make such registrations within 30 days after the establishment of Lichen Company may result in Lichen Company being ordered to make rectification within prescribed time by the relevant governmental authorities. If rectification is not made within the prescribed time, a fine of not less than RMB10,000 but not more than RMB50,000 may be imposed on Lichen Company and the personnel directly in charge and other personnel having direct liability may be liable to a fine of not less than RMB500 but not more than RMB3,000. As Lichen Company did not have any employee during the period from its establishment and up to 23 April 2013, based on the consultation with the local social insurance agent and housing provident fund management center, it is the Group's understanding that in practice Lichen Company is not required to make registration for social insurance or housing provident fund before it engages any employee. Notwithstanding the foregoing, Lichen Company still made such registrations with the local social insurance agent and housing provident fund management center without being imposed any penalties. Based on the foregoing, the PRC Legal Advisers are of the view that the risk that Lichen Company being imposed administrative penalties for such possible non-compliance is relatively low. Save as disclosed above, based on the legal due diligence and confirmation letters issued by relevant local authorities, the PRC Legal Advisers are not aware of any other non-compliance of the Group under the relevant PRC rules and regulations on social security insurance and housing provident fund during the Track Record Period.

The construction of Yifu Land has not been commenced within the timeframe prescribed in the Yifu Land Grant Contract, i.e. before 27 December 2012. The Group has applied for the extension of construction and such application has been approved by Shenyang Planning & Land Bureau on 26 June 2013 with the extended deadline to commence construction not exceeding one year over the deadline originally stipulated (i.e. the extended commencement date for construction shall not be beyond 27 December 2013). Save as disclosed above, the Directors confirm that the Group complied with all relevant requirements relating to property investment and development in all material respects (including the capital ratio requirements for real estate development projects) during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, the Directors confirm that the Group is in compliance with all material respects, and have obtained all necessary approvals and permits required by, all laws and regulations relevant to the Group's current operations during the Track Record Period and up to the Latest Practicable Date.

Based on the opinion of the PRC Legal Advisers, the information supplied by the Company to the Joint Sponsors and the relevant due diligence works performed by the Joint Sponsors, save as disclosed in this prospectus, the Joint Sponsors confirm that there are no other material non-compliances and/or findings under PRC laws and regulations relevant to the Group's current operations during the Track Record Period and up to the Latest Practicable Date that need to be disclosed in this prospectus.

INTERNAL CONTROL MEASURES DESIGNED TO PREVENT FUTURE NON-COMPLIANCE

The Joint Sponsors consider that the Company requires a higher level of awareness for its compliance matters and a higher level of involvement from its PRC legal advisers in its regulatory compliance in respect of relevant PRC laws and regulations. To prevent the occurrence of any non-compliance of laws, rules and regulations in the future, the Group, prior to the Listing, adopted the following steps and measures to further enhance the Group's corporate governance practices and the effectiveness of its internal control procedures:

- (i) the Group has appointed Ms. Chan Chor Ling, Amy, an executive Director of the Company, to be the Company's designated officer responsible for the proper implementation of the internal control measures and overseeing the Group's compliance with relevant laws and regulations in the PRC and to liaise with the PRC legal advisers regarding compliance issues. Ms. Chan Chor Ling, Amy will report to the Board concerning legal compliance and the implementation of internal control measures. She has the necessary knowledge and expertise to take up this role, details of which are set out in the section headed "Directors, Senior Management and Staff" of this prospectus;
- (ii) the Group has adopted a new set of internal control manual and policies (which covers corporate governance, operations, management, legal matters, finance and audit), subject to regular review to cater for the needs of the Group;
- (iii) the Group will seek proactive identification of any concerns and issues relating to potential non-compliance by providing guidance to the management of all departmental levels regarding the need for preventive and self-check measures to ensure compliance with all applicable laws and regulations;
- (iv) the Group has established effective lines of communication and provided a process by which an employee can identify and report potential non-compliance exposures, and report promptly the detected problems and undertake corrective measures;
- (v) the Group has retained PRC legal advisers to review and advise on the Group's regulatory compliance in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect the Group's business operations in the PRC;
- (vi) the two executive Directors, Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun), as well as the senior management (Mr. Lim Weling, Mr. Chan Chi Keung and Mr. Poon Ching Pui) have attended a three-hour training session conducted by a PRC law firm on the general PRC laws, regulations and duties applicable to real estate companies or business in the PRC;
- (vii) the Group has implemented internal guidelines and policies for approving, reporting and monitoring all financing transactions with proper segregation of duties;

BUSINESS

- (viii) the two executive Directors, Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) respectively attended a training session of around three hours conducted by the legal advisers to the Company as to Hong Kong laws to familiarise themselves with the board structure and functions as well as corporate governance structure of typical listed companies in Hong Kong and their roles, duties and obligations as directors of a listed company in Hong Kong. In particular, the training sessions covered general directors' duties under the common law and statutes such as the Companies Ordinance and SFO, as well as general on-going obligations and responsibilities of directors of a listed company pursuant to the Listing Rules and the Takeovers Code;
- (ix) the Directors have received and reviewed a detailed memorandum prepared by the legal advisers to the Company as to Hong Kong laws setting out general Listing Rules and Hong Kong companies law requirements and obligations of the Directors after Listing;
- (x) the Group has engaged Platinum Securities as its compliance adviser to advise its Directors and management team on matters relating to the Listing Rules. The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date of despatch of the Group's annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement; and
- (xi) the Group will provide trainings to its employees to raise their awareness on the importance of internal legal compliance.

Senior officers of different departments of the Group are required to report to Ms. Chan Chor Ling, Amy, an executive Director, on a timely basis in relation to any problems or issues concerning compliance and internal control. In addition, Ms. Chan Chor Ling, Amy will meet with such officers on a regular basis (usually on a three-month interval) to review the effectiveness of the above internal control measures, and to ensure that the same have been properly implemented and that corrective actions will be taken promptly to rectify any deviation or deficiency identified during the review.

In view of the above measures, the Directors are of the view that the Group's internal control is adequate and effective under Rule 3A.15(5) of the Listing Rules to prevent any possible breach of the regulatory requirements in the PRC and Hong Kong in the future. Having (i) considered the above measures; (ii) reviewed the internal control procedures prepared by the Company and the relevant supporting documents collected from the Company; (iii) discussed with the respective management of the Group on the findings and recommendations concerning the internal control system of the Group; and (iv) participated in the training session provided to the Directors by the legal advisers to the Company as to Hong Kong laws, the Joint Sponsors concur with the Directors' views, that the Group's internal control is adequate and effective under Rule 3A.15(5) of the Listing Rules to prevent any possible future breach of the regulatory requirements in the PRC and Hong Kong.

BUSINESS

In view that (i) the non-compliance was not due to dishonesty of the Directors nor for illegitimate purpose; (ii) since the time the non-compliance was identified and drawn to the attention of the Directors, the Directors have taken the necessary actions to rectify and/or terminate the non-compliance to the extent possible; and (iii) the Directors have been keeping themselves abreast of the latest laws and regulations by attending the abovementioned training, the Board and the Joint Sponsors are of the view that the non-compliance issue will not have a material adverse impact on the Company and its Directors, do not cast doubt on the Directors' integrity and the Directors are suitable to act as directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the Group is suitable for listing under Rule 8.04 of the Listing Rules.

SUPPLIERS AND CUSTOMERS

During the Track Record Period, the top five customers accounted for approximately 70.7%, 63.3%, 53.0% and 78.8% of the Group's turnover during the respective periods, and the single largest customer accounted for approximately 23.9%, 33.3%, 22.4% and 32.9% of the Group's turnover. Such customers were all tenants of Tianjin Property during the Track Record Period, which included a retailer of fine jewellerys and branded watches, an international apparel retailer, personal care store, household products retailer, fashion retailers, lingerie retailer, Korean restaurant and photography studio. The table below sets out the details of the Group's top five customers for the six months ended 30 June 2013:

Background and business profile of the customers	Relationship with the Group and length of relationship
A fine jewellerys and luxurious watches retailer	Connected person of the Company; since 2010
A fashion and apparels retailer operating under an international brand name	Independent Third Party; since 2010
A Japanese restaurant operated under an international brand name	Independent Third Party; since 2010
A Chinese restaurant operated under a local brand name	Independent Third Party; since 2012
A personal care products retailer operated under an international brand name	Independent Third Party; since 2011

CTF has 50% indirect equity interest in Real Reward which will be a substantial shareholder of the Company upon Listing. CTF Beijing (being an associate of CTF) was one of the top five largest customers of the Group during the Track Record Period, which accounted for approximately 12.1%, 13.3%, 16.4% and 32.9% of the Group's turnover for the Track Record Period. On 17 November 2010, Tianjin Property Company (as landlord) and CTF Beijing (as tenant) entered into a tenancy agreement (the "**Tianjin Tenancy Agreement**") in relation to the tenancy of a shop in Tianjin Property. The shop was used by CTF Beijing for selling fine jewellerys, gold and watches. The term of the Tianjin Tenancy Agreement is for the period of 36

BUSINESS

months commencing from 3 December 2010. During the Track Record Period, the aggregate rental paid by CTF Beijing to Tianjin Property Company under the Tianjin Tenancy Agreement were approximately HK\$172,000, HK\$1,994,000, HK\$3,406,000 and HK\$1,475,000 respectively. Following the disposal of Tianjin Property Company on 25 April 2013, the tenancy under the Tianjin Tenancy Agreement ceased to be a connected transaction of the Group.

Save as disclosed in this prospectus, none of the Directors, their associates or any Shareholder (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of these top five customers.

During the Track Record Period, the top five suppliers accounted for approximately 70.9%, 70.7%, 81.9% and 99.2% of the Group's total purchases during the respective periods, and the single largest supplier accounted for approximately 41.4%, 31.1%, 41.8% and 78.2% of the Group's purchases. Such suppliers were companies which provided services related to the construction, design and maintenance of the Group's properties in the PRC. The table below sets out the details of the Group's top five suppliers for the six months ended 30 June 2013:

Background and business profile of the suppliers	Relationship with the Group/Parentco Group and length of relationship
A company principally engaged in construction design and project consultation	Independent Third Party; since 2012
A company principally engaged in interior renovation works	Independent Third Party; since 2011
A company principally engaged in electrical engineering	Independent Third Party; since 2011
A company principally engaged in heating installation	Independent Third Party; since 2007
A company principally engaged in fire safety construction design	Independent Third Party; since 2010

None of the Directors, their associates or any Shareholder (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of these top five suppliers.

COMPETITION

The Directors believe that the property market in PRC is competitive and different property companies have to compete with each other in terms of financial resources, quality and brand name. The Directors believe that the principal competitive factors include the experience and capabilities of the management team, the quality and location of the properties and the reputation in the market.

INTELLECTUAL PROPERTY RIGHTS

A non-exclusive trademark license was granted by the Remaining Parentco Group to the Group for use on a royalty-free basis. Please see the section headed “Continuing connected transactions — Exempt continuing connected transactions” of this prospectus for further details.

Further details of the Group’s intellectual property rights are set out under the paragraph headed “Intellectual Property Rights” in the section headed “Further information about the business” in Appendix VI to this prospectus.

INSURANCE

The Group maintains insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards (including lightning, typhoons, tornados, floods, landslides and other natural phenomena) and accidents (including fire and explosion and general liability) under property all risk insurance and public liability insurance. The Group also maintains employers’ liability insurance to cover personal injuries suffered by employees at workplace, and machine damage insurance. During the Track Record Period, the amounts of insurance claims in respect of the insurance policies effected by the Group were approximately RMB53,000 (equivalent to approximately HK\$67,000), RMB130,000 (equivalent to approximately HK\$163,000), RMB3,000 (equivalent to approximately HK\$4,000) and nil respectively. Such insurance claims mainly related to incidents including damage of property caused by water leakage. Save as disclosed, as at the Latest Practicable Date, the Group did not have any material outstanding or pending claims in respect of the insurance policies effected by the Group, nor any disputes with its insurers.

The Directors believe the Group’s properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage, in line with industry practice.

PROPERTIES RENTED AND OCCUPIED BY THE GROUP

The Group’s Hong Kong headquarters is located at certain portion of 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong, which is leased from the Remaining Parentco Group. Its PRC headquarters is located at Unit 910, 9th Floor, Shanghai Joinbuy CityPlaza, No. 1618 Nanjing West Road, Jingan District, Shanghai, China, which is sub-leased from the Remaining Parentco Group. Please see the sub-section headed “Exempt continuing connected transactions” of the section headed “Continuing Connected Transactions” in this prospectus for the details of the office leases.

As at the Latest Practicable Date, the Group also leased from a few Independent Third Parties the following premises in the PRC as the Group’s offices in the PRC:

- (a) Units 1005–1007, Linyuan Bilingual, No. 118 Tiandi Street, Daoli District, Harbin City, PRC, which has a GFA of about 88 sq.m. and is used by the Group as office; and
- (b) Unit 90063, Towercrest Plaza, No. 170-1 Xishuncheng Street, Shenhe District, Shenyang City, PRC, which has a GFA of about 99 sq.m. and is used by the Group as office.

BUSINESS

In addition, the Group is occupying 8/F of Qingdao Property as its office in the PRC.

See Appendix III to this prospectus for further details.

LEGAL PROCEEDINGS

The Group is principally engaged in property development and property investment business, where such business nature is generally subject to various legal proceedings and claims that arise in the ordinary course of business, such as disputes with tenants of its commercial properties or construction contractors. However, the Group is not presently subject to any material litigation nor, to the Directors' knowledge, is any material litigation threatened against the Group.

RISK MANAGEMENT

The Group has adopted certain risk management policies in relation to its operation to minimize, monitor and control the probability and impact of unfortunate events. The policies set out procedures on how the staff of the Group should deal with different types of accidents, natural causes and disasters including fire accidents, terrorist attacks, highly infectious diseases, personal injuries, water floods, electricity suspension and typhoons.

Ms. Chan Chor Ling, Amy, an executive Director, is responsible for supervising the implementation of the risk management policies of the Group. She is also responsible for monitoring relevant staff of the Group to review and update the policies regularly to ensure the policies could be up to date and follow the development of the society.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Board consists of seven Directors, of whom two are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The table below shows the brief particulars of the Directors:

Name	Age	Position	Date of appointment as Director/ Date of joining Parentco Group (if applicable)	Roles and responsibilities in the Group
Ms. Chan Chor Ling, Amy (陳楚玲小姐)	52	Executive Director	26 August 2013/ March 2005	Primarily responsible for the administration aspects of the Group and heads the Finance Department and Human Resources Department as the director of administration of the Group.
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) (陳少珍小姐)	54	Executive Director	26 August 2013/ June 2001	Primarily responsible for the operational, sales and leasing aspects of the Group and heads the Sales and Leasing Department, the Project Management Department, Property Management Department, Budget and Quantity Survey Department and Project Administration Department as the director of operation, sales and leasing of the Group.
Mr. Lau Luen Hung, Thomas (劉鑾鴻先生)	59	Chairman and Non-executive Director	26 August 2013/ May 2003 ^(Note 1)	Focus principally on strategic planning and overseeing the corporate, financial and compliance affairs of the Group and serving on the nomination committee.
Mr. Wong Man Hoi (王文海先生)	54	Non-executive Director	26 August 2013	Focus principally on giving strategic advice and recommendations on the operations of the Group and serving on the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of appointment as Director/ Date of joining Parentco Group (if applicable)	Roles and responsibilities in the Group
Mr. Lam Siu Lun, Simon (林兆麟先生)	64	Independent non-executive Director	26 August 2013/ March 2004 ^(Note 2)	Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to the Group as and when required; taking the lead where potential conflicts of interest arise; and serving on the audit committee, remuneration committee and the nomination committee.
Mr. Robert Charles Nicholson	57	Independent non-executive Director	26 August 2013	
Mr. Wong Kun Kau (黃灌球先生)	52	Independent non-executive Director	26 August 2013	

Notes:

1. Mr. Thomas Lau was appointed as the general manager of Sogo Hong Kong Company Limited (a subsidiary of Parentco which carries on department store business) and its group commencing in May 2003. Prior to such appointment, Mr. Thomas Lau had been responsible for the overall strategic development, planning and policy making of the retailing business of the Parentco Group since the acquisition of interests in Sogo Hong Kong Company Limited by the consortium formed by Mr. Thomas Lau, Mr. Joseph Lau and Chow Tai Fook in May 2001.
2. Mr. Lam Siu Lun, Simon was appointed as an independent non-executive director of Parentco in March 2004.

Executive Directors

Ms. Chan Chor Ling, Amy (陳楚玲小姐), aged 52, was appointed as an executive Director on 26 August 2013. She is also director of certain subsidiaries of the Group. She is primarily responsible for the administration aspects of the Group and heads the Finance Department and Human Resources Department as the director of administration of the Group. Ms. Chan joined the Parentco Group in March 2005 as the senior division manager of its property division. Before assuming her current position in the Group, she was the head of the new project division of the Parentco Group where she was responsible for identifying new and potential investment opportunities and carrying out negotiation and overseeing the implementation of new investment projects in the property sector. Ms. Chan has resigned from her position in the Remaining Parentco Group with effect from 26 August 2013.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Chan has been an associate member of the Institute of Chartered Secretaries and Administrators since October 1989. She obtained the degree of Master of Business Administration of University of Leicester, the United Kingdom as well as the degree of Bachelor of Laws of University of Wolverhampton, the United Kingdom in July 1999 and March 2001 respectively through long distance learning. She worked as an assistant company secretary, company secretary and then the group company secretary of Chinese Estates Holdings Limited (a listed public company in Hong Kong, stock code: 127) (“**Chinese Estates**”) from 1987 to 1991. She then served as the company secretary of Wo Kee Hong (Holdings) Limited (now known as Auto Italia Holdings Limited, a listed public company in Hong Kong, stock code: 720) from 1991 to 1993. From 1993 to 1998, Ms. Chan rejoined Chinese Estates as its head of business development department and was responsible for supervising and overseeing the group’s property matters in the PRC and seeking potential investment opportunities, negotiating terms of property and related transactions, conducting feasibility studies on potential projects and monitoring the daily operation of the PRC property companies within the group. Ms. Chan is currently also a director of two private companies ultimately wholly-owned by Mr. Thomas Lau which were inactive as at the Latest Practicable Date.

Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) (陳少珍小姐), aged 54, was appointed as an executive Director on 26 August 2013. She is also director of certain subsidiaries of the Group. She is primarily responsible for the operational, sales and leasing aspects of the Group and heads the Sales and Leasing Department, the Project Management Department, Property Management Department, Budget and Quantity Survey Department and Project Administration Department as the director of operation, sales and leasing of the Group. She joined the Parentco Group in June 2001 as a division manager of its property division and before assuming her current position in the Group, she was the head of its project development division where she was responsible for overseeing the day-to-day operations of the project development division and related property matters, including project development and management, feasibility study and identification and negotiation on new and potential projects, process of land acquisition, budget and final account of project developments, property leasing and sale, renovation of property and property management. Ms. Chan has resigned from her position in the Remaining Parentco Group with effect from 26 August 2013.

Ms. Chan graduated with a Higher Certificate in Valuation and Property Management from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1988 and obtained through long distance learning a Master of Science of project management from Curtin University of Technology in Australia in September 2007. She is a member of the Australian Institute of Project Management, an ordinary member of the Asian Knowledge Management Association and a full member of the Canadian Chartered Institute of Business Administration. Ms. Chan has over 20 years of experience in project management and development, property sales and leasing and property management in Hong Kong and the PRC. Prior to joining the Parentco Group, Ms. Chan was a project manager of New World Development Company Limited (a listed public company in Hong Kong, stock code: 17) in respect of two residential projects in Beijing, the PRC from 1998 to 2000. She was a sales manager of Midland China Property Development Limited in charge of business development of its Beijing office from March

DIRECTORS, SENIOR MANAGEMENT AND STAFF

1997 to June 1998. She worked in Evergo Holdings Company Limited with main duties including project coordination, property management and site investigation of PRC projects from June 1992 to July 1996.

Non-Executive Directors

Mr. Lau Luen Hung Thomas (劉鑾鴻先生), aged 59, was appointed as a non-executive Director on 26 August 2013. He is also the chairman of the Board, the chairman of the nomination committee of the Company and director of certain subsidiaries of the Group. Mr. Lau focuses principally on strategic planning and overseeing the corporate, financial and compliance affairs of the Group. Mr. Lau was awarded a Bachelor of Arts degree by the University of Toronto in June 1975 and a Bachelor degree of Commerce and a Master degree of Business Administration by the University of Windsor, Canada in October 1976 and May 1978 respectively. Mr. Lau has substantial entrepreneurial experience in property investment and development and department store retailing.

Mr. Lau has been the managing director of the Parentco since January 2004. He was an independent director of AutoChina International Limited, a company listed on NASDAQ until cessation of his office on 29 December 2011. He is currently a member of the Twelfth Chinese People's Political Consultative Conference Shanghai Committee and a member of the board of directors of Shanghai Jiao Tong University, the PRC.

In 2006, the Insider Dealing Tribunal of Hong Kong ("IDT") found that Mr. Lau's trading of shares of Asia Orient Holdings Limited, a company listed on the Stock Exchange, between 14 and 20 September 1999 constituted insider dealing. Mr. Lau was ordered not to act as a director of Chinese Estates or CNNC International Limited (formerly known as United Metals Holdings Limited) (stock code: 2302), both being companies listed on the Stock Exchange, for a period of 12 months commencing from 22 December 2006 without the leave of the court. He was also ordered to pay the government the relevant profit gained, a penalty and the inquiry expenses. There is no outstanding order against Mr. Lau since 22 December 2007.

Several subsidiaries of Chi Cheung Investment Co., Ltd. ("**Chi Cheung**") (stock code: 112), the shares of which are listed on the main board of the Stock Exchange (namely, Winner Ways Limited, Best Funds Investment Limited, Unioncorp Limited, Right Joint International Limited, Cosmos Win Investment Limited, Fortune Trinity Limited, Grand Asia Investment Limited, Homewell Investment Limited and Super Culture Limited) had been put into creditors' voluntary winding up while Mr. Lau was one of their respective directors. Mr. Lau, who was then the executive director of Chinese Estates, was appointed as a director of the aforesaid subsidiaries of Chi Cheung on 20 November 2000 after Chinese Estates, as the investor under the restructuring, became the then controlling shareholder of Chi Cheung upon completion of the restructuring of Chi Cheung group through a scheme of arrangement on 20 November 2000. The said restructuring of Chi Cheung group was a rescue plan reached against the background of high debt level and liquidity difficulties of Chi Cheung group at the material time.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Before Chinese Estates became the then controlling shareholder of Chi Cheung, the financial position of Chi Cheung group had already been unsatisfactory. Mr. Lau's appointment as a director of the aforementioned subsidiaries of Chi Cheung was to represent the interest of Chinese Estates in these companies following its acquisition of a controlling stake in Chi Cheung and Mr. Lau had not been involved in the affairs of these companies which ultimately put them into financial difficulties and liquidation. Liquidation of the said subsidiaries of Chi Cheung commenced during the period from 2001 to 2005 and all of them have been dissolved.

Besides, a winding up order was made against an associated company of Chinese Estates, Victory Mark Investment Limited ("**Victory Mark**"), in 2004 upon the petition of a creditor within 12 months after Mr. Lau ceased to act as one of its directors. The debt which was the subject of the petition was a sum of approximately HK\$3,960,000, being the petitioner's legal costs and disbursements in a litigation against Victory Mark involving certain defects in a flat purchased by the petitioner in a building for which Victory Mark was the developer, plus interest thereon. Mr. Lau was not a director of Victory Mark when the building was under development by Victory Mark nor when the flat was sold to the petitioner. No claims have been brought against Mr. Lau personally in respect of the liquidation of the subsidiaries of Chi Cheung and the associated company of Chinese Estates as mentioned above.

The Company and the Directors consider that Mr. Lau is suitable for acting as a Director notwithstanding that he was involved in the insider trading of a listed company in 1999 and was ordered not to act as a director of Chinese Estates or CNNC International Limited (formerly known as United Metals Holdings Limited) (stock code: 2302), for a period of 12 months commencing from 22 December 2006. They form such views for the following reasons: (i) Mr. Lau has much experience as a director as demonstrated by his involvement as directors of various listed companies within or outside Hong Kong; and (ii) notwithstanding the IDT case, according to the orders made against Mr. Lau by IDT, Mr. Lau was only ordered not to act as a director of Chinese Estates or CNNC International Limited both being companies listed on the Stock Exchange, for a period of 12 months commencing from 22 December 2006 without the leave of the court. Such order had long been served and fulfilled and such order was not a general order prohibiting Mr. Lau from acting as a director of listed companies and, in particular, such order did not prohibit Mr. Lau from acting as a director of Parentco. For the above reasons, the Joint Sponsors concur with the Company's and the Directors' view that Mr. Lau is suitable to act as a Director notwithstanding that he was involved in the insider trading of a listed company in 1999 and ordered not to act as a director of Chinese Estates or CNNC International Limited for a period of 12 months commencing from 22 December 2006.

Mr. Wong Man Hoi (王文海先生), aged 54, was appointed as a non-executive Director on 26 August 2013. He is also a member of the nomination committee of the Company. Mr. Wong focuses principally on giving strategic advice and recommendations on the operations of the Group. Mr. Wong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 1994 and was admitted to be a solicitor of England and Wales in 1995. Mr. Wong obtained the degree of Bachelor of Science in Engineering from the University of Hong Kong in November 1981 and Bachelor of Laws

DIRECTORS, SENIOR MANAGEMENT AND STAFF

degree from the University of London, the United Kingdom in August 1990. Mr. Wong assumed the title of “Senior Director — legal and company secretary of the legal and company secretarial department” (but not a director for purpose of the Companies Ordinance) of New World Development Company Limited (a listed public company in Hong Kong, stock code: 17). He headed its legal department since November 2001 and became its company secretary in January 2011.

Independent Non-Executive Directors

Mr. Lam Siu Lun, Simon (林兆麟先生), aged 64, was appointed as an independent non-executive Director on 26 August 2013. He is also the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company. Mr. Lam graduated from the University of Hong Kong in November 1973 with a Bachelor degree of Arts. After graduation, he worked at KPMG Peat Marwick and obtained his qualification as a Chartered Accountant from The Institute of Chartered Accountants in England and Wales in 1979 and Certified Public Accountant from the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) in 1980. Mr. Lam was admitted as a fellow member of the Taxation Institute of Hong Kong in 1992. Mr. Lam is the proprietor of Messrs. S.L. Lam & Company, a certified public accountants firm. He has been an independent non-executive director of the Parentco since March 2004 and is currently also an independent non-executive director of each of Le Saunda Holdings Limited (stock code: 738) and Kiu Hung Energy Holdings Limited (stock code: 381), all being listed public companies in Hong Kong.

Mr. Robert Charles Nicholson, aged 57, was appointed as an independent non-executive Director on 26 August 2013. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Nicholson is a graduate of the University of Kent, the United Kingdom with a Bachelor of Arts degree in July 1976, qualified as a solicitor in England and Wales and in Hong Kong in 1980 and 1982 respectively. Mr. Nicholson is currently an executive director of First Pacific Company Limited (stock code: 142) and an independent non-executive director of each of Pacific Basin Shipping Limited (stock code: 2343) and QPL International Holdings Limited (stock code: 243), all of which are listed public companies in Hong Kong. He is also the executive chairman of Forum Energy Plc (listed on the AIM market of the London Stock Exchange), a commissioner of PT Indofood Sukses Makmur Tbk (listed on the Indonesia Stock Exchange), and a director of each of Metro Pacific Investments Corporation, Philex Mining Corporation and Philex Petroleum Corporation (all of which are listed on the Philippine Stock Exchange). Forum Energy Plc, PT Indofood Sukses Makmur Tbk, Metro Pacific Investments Corporation, Philex Mining Corporation and Philex Petroleum Corporation are subsidiaries or associates of First Pacific Company Limited.

Previously, he was a senior partner of Richards Butler, Solicitors from 1985 to 2001 where he established the corporate and commercial department, and was a senior adviser to the board of directors of PCCW Limited between August 2001 and September 2003. He was also a director of India Capital Growth Fund Limited (which is listed on the AIM market of the London Stock Exchange) between December 2005 and August 2011.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Wong Kun Kau (黃灌球先生), aged 52, was appointed as an independent non-executive Director on 26 August 2013. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Wong received a Bachelor in Social Science degree from the University of Hong Kong in November 1982. Mr. Wong worked in the Peregrine Group from 1992 to 1998 and held senior position in BNP Paribas Capital (Asia Pacific) Limited (“**BNP Paribas Capital**”) from 1998 to 2007. His last positions with BNP Paribas Capital was the head of investment banking, Asia and head of corporate finance in corporate finance — management department. Mr. Wong is the founder of and has been the managing partner of Bull Capital Partners Ltd., which has been managing a direct investment fund since late 2007. He has experience in fund management, securities broking and corporate finance. Mr. Wong is also an independent non-executive director of each of West China Cement Limited (a listed public company in Hong Kong, stock code: 2233) and Anhui Conch Cement Company Limited (a listed public company in Hong Kong and in the Shanghai Stock Exchange, PRC, stock code: 914 and 600585 respectively) and a non-executive director of Sun King Power Electronics Group Limited (a listed public company in Hong Kong, stock code: 580).

Mr. Wong was a director of Peregrine Brokerage (China) Limited (a company incorporated in Hong Kong) which was dissolved in June 2002. Peregrine Brokerage (China) Limited has commenced creditors’ voluntary winding up in June 1999.

From 1998 to 2007, Mr. Wong held senior positions in BNP Paribas Capital. He left BNP Paribas Capital in 2007. Mr. Wong confirmed that since his departure in 2007, he has not provided any or other professional services to the Parentco Group or the Group or any connected persons of the Company. Having considered the above, the Joint Sponsors consider that Mr. Wong’s past senior positions in BNP Paribas Capital (which corporate finance business was transferred to BNP Paribas (one of the Joint Sponsors)) would not affect his independence in discharging the role as independent non-executive Director.

Please refer to the subsection headed “Further information about Directors, management staff and substantial shareholders — Particulars of service contracts and letters of appointment” in Appendix VI to this prospectus for details of the proposed length of service of each of the Directors with the Company and the emoluments of the Directors. The emoluments of each Director are determined by the Board with reference to his/her previous experience and prevailing market practices.

Save as disclosed in the subsection headed “Further information about Directors, management staff and substantial shareholders — Disclosure of interests or short position of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations” in Appendix VI to this prospectus, each of the Directors did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above and in the subsection headed “Further information about Directors, management staff and substantial shareholders — Disclosure of interests or short position of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations” in Appendix VI to

DIRECTORS, SENIOR MANAGEMENT AND STAFF

this prospectus, each of the Directors (i) did not hold other positions in the Group as at the Latest Practicable Date; (ii) had no other relationships with any Directors, senior management or substantial or controlling shareholder of the Company as at the Latest Practicable Date; and (iii) did not hold any directorships in any other publicly listed companies in the last three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, the Board is not aware of any other information which is required to be disclosed pursuant to any requirements under Rule 13.51(2) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with the appointment of Directors of the Company.

SENIOR MANAGEMENT

The following table sets forth the age and position of the senior management:

Name	Age	Position/Title
Mr. Lim Weling	44	Senior project manager of Project Management Department
Mr. Chan Chi Keung	41	Project manager of Project Management Department
Mr. Poon Ching Pui	46	Project manager of Project Management Department

Mr. Lim Weling, aged 44, is the senior project manager of the Project Management Department of the Group and is responsible for overseeing the planning, design, construction and coordination with the project management, consultants (architects, structure and E&M engineers, quantity surveyors and interior designers) and contractors, and liaising with government departments. Mr. Lim joined the Parentco Group in March 2010 and was the senior project manager of its project development division before assuming his current position. Prior to joining the Parentco Group, he was a project manager of Chinachem Agencies Limited from August 2005 to March 2009, and an architectural executive of DP Architects Pte Ltd. from 2000 to 2005 where he was involved in a number of Singapore, China and Malaysia projects (including residential projects and commercial and residential complex projects). Mr. Lim was awarded Diplôme D'Architecte Desa (equivalent to a Master degree in Architecture) by École Spéciale D'Architecture in France in June 1999. Mr. Lim resigned from his position in the Remaining Parentco Group with effect from 26 August 2013.

Mr. Chan Chi Keung, aged 41, is the project manager of the Project Management Department of the Group and is responsible for handling government submissions, planning, design, construction and coordination with the project management, consultants, contractors and liaising with the government departments. Mr. Chan joined the Parentco Group in July 2008 and was the division manager of its project development division before assuming his current position. Prior to joining the Parentco Group, he was a senior building services engineer of China Construction Engineering (Macau) Company Limited (a subsidiary of China State Construction International Holdings Limited, a listed public company in Hong Kong, stock code: 3311) from December 2006 to July 2008 and was a mechanical and electrical manager of 中國建築第八工程局工業設備安裝有限責任公司廣州分公司 (China Construction Eighth Engineering Division Industrial Equipment Installation Co. Ltd., Guangzhou Branch*) from May 2005 to

DIRECTORS, SENIOR MANAGEMENT AND STAFF

November 2006 and a building service (BS) coordinator of Alpha Building Construction Limited from April 1998 to May 2005. Mr. Chan was awarded the degree of Bachelor of Science in Applied Physics by the Hong Kong Baptist University in December 1996 and the degree of Bachelor of Engineering in Building Services Engineering by the Hong Kong Polytechnic University in December 2005. Mr. Chan resigned from his position in the Remaining Parentco Group with effect from 26 August 2013.

Mr. Poon Ching Pui, aged 46, is the project manager of the Project Management Department of the Group and is responsible for handling site-related matters including preparation of project planning, design and the execution thereof, and coordination with various parties (such as the local authorities, designers, consultants and contractors). Mr. Poon joined the Parentco Group in May 2009 and was the senior department manager of its project development division before assuming his current position. Mr. Poon was awarded a Bachelor of Engineering degree in Building Services Engineering by the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1993, a Master degree of Business Administration by University of Leicester, the United Kingdom (through long distance learning) in July 1997, a Postgraduate Diploma in Construction Project Management by the University of Hong Kong in August 1998 and a Bachelor degree of Laws by University of London, the United Kingdom in August 2002. Prior to joining the Parentco Group, Mr. Poon was a project manager of Shanghai Leaderank Real Estate Development Company Limited from October 2006 to March 2008 where he was responsible for the site supervision of its property development project in Shanghai, the PRC, and was a senior resident building services engineer of PKL Consultants Ltd. from April 2008 to March 2009 where he was responsible for monitoring the installation work of a project of the Remaining Parentco Group in Suzhou, the PRC. Mr. Poon resigned from his position in the Remaining Parentco Group with effect from 26 August 2013.

None of the above senior management members have held any directorship in any publicly listed companies in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Poon Fuk Chuen, aged 51, is the company secretary of the Company. He is also a director of Harbin Property Company and Qingdao Property Company, being subsidiaries of the Company, assuming a non-executive role in such companies. Mr. Poon graduated with a joint bachelor degree in accounting and statistics from the United Kingdom. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Parentco Group in December 2004, he was an executive director, company secretary and chief financial officer of Hengan International Group Company Limited, a listed company in Hong Kong (stock code: 1044). Mr. Poon is the incumbent chief financial officer, company secretary as well as one of the authorized representatives of the Parentco. Mr. Poon has a wealth of experiences in accounting, finance and management fields.

THE GROUP'S RELATIONSHIP WITH EMPLOYEES

The Group generally maintains good working relations with its staff. The Group has not experienced any significant problems with the recruitment and retention of experienced employees.

In August 2012, Tianjin Property Company terminated the employment contracts with 29 employees due to its tenant-mix adjustment programme implemented by the Group in the second half of 2012, whereby the mid-floors of Tianjin Property (which were used to be generally filled with many operators with small retail shops) were planned to be replaced by one or two tenants with larger business scale for each floor. To implement the programme, the tenancy agreements with those tenants of the mid-floors were terminated in mid-2012. Given that the number of the tenants was reduced, the Group decided to lay off some employees who used to handle matters with those tenants. Tianjin Property Company briefed neither the labour union nor all employees about the circumstances and also failed to solicit their opinions within 30 days prior to the termination. As a result, there was a dispute between such employees and Tianjin Property Company. Tianjin Property Company subsequently paid economic compensation to the 29 employees at an amount higher than that required by relevant labour laws and regulations, and the dispute between the employees and Tianjin Property Company was settled. As advised by the PRC Legal Advisers, as the economic compensation paid was more than the statutory amount, it is not very likely that Tianjin Property Company would be subject to any additional compensating liabilities. Please see the section headed "Business — Regulatory compliance" of this prospectus for further details of this incident.

Save as disclosed above, the Group has not suffered from any material disruption of its normal business operations as a result of labour disputes or strikes.

Welfare contributions

During the Track Record Period, the Group did not have any Hong Kong employees. As at the Latest Practicable Date, the Group had eight Hong Kong employees. As required by the employment laws in Hong Kong, the Group is required to participate in the mandatory provident fund scheme to provide retirement benefits for such Hong Kong employees. The Group's Hong Kong employees are also entitled to medical welfare and discretionary bonus provided by the Group.

As required by the PRC regulations on social insurance, the Group participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance (as applicable).

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on 26 August 2013 with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules ("**CG Code**"). The

DIRECTORS, SENIOR MANAGEMENT AND STAFF

primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to make recommendations to the Board on the appointment and removal of external auditors. The audit committee has also been delegated the corporate governance functions as set out in code provision D.3.1 of the CG Code.

The audit committee comprises three independent non-executive Directors, namely, Mr. Lam Siu Lun, Simon, Mr. Robert Charles Nicholson and Mr. Wong Kun Kau. Mr. Lam Siu Lun, Simon is the chairman of the audit committee.

Remuneration Committee

The Company established a remuneration committee on 26 August 2013 with written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management, to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration and to set up a formal and transparent procedure for determination of such remuneration policies.

The remuneration committee comprises three independent non-executive Directors, namely, Mr. Lam Siu Lun, Simon, Mr. Robert Charles Nicholson and Mr. Wong Kun Kau. Mr. Lam Siu Lun, Simon is the chairman of the remuneration committee.

Nomination Committee

The Company established a nomination committee on 26 August 2013 with written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board on the appointment and succession planning of Directors, to review the structure, size and composition of the Board and assess the independence of independent non-executive Directors.

The nomination committee comprises three independent non-executive directors and two non-executive directors, namely, Mr. Lam Siu Lun, Simon, Mr. Robert Charles Nicholson, Mr. Wong Kun Kau, Mr. Lau Luen Hung, Thomas and Mr. Wong Man Hoi. Mr. Lau Luen Hung, Thomas is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of the Directors) or any bonuses paid to the Directors for the three years ended 31 December 2012 and the six months ended 30 June 2013 (being such part of the remuneration paid by the Parentco Group to the Directors, which was allocated to the Group as expenses by reference to their involvement in the operations of the Group) were approximately HK\$2.1 million, HK\$2.5 million, HK\$1.9 million and HK\$0.3 million respectively. Details of the arrangement for remuneration are set out in Note 13 to the Accountants' Report in Appendix I to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The aggregate of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's pension scheme on behalf of the five highest paid individuals) or any bonuses paid to the five highest paid individuals (including Directors) for the three years ended 31 December 2012 and the six months ended 30 June 2013 (being such part of the remuneration paid by the Parentco Group to the five highest paid individuals, which was allocated to the Group as expenses by reference to their involvement in the operations of the Group) were approximately HK\$3.0 million, HK\$4.0 million, HK\$2.5 million and HK\$0.7 million respectively.

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors or the five largest paid individuals as an inducement to join or upon joining the Group. No compensation was paid by the Group to, or receivable by, the Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid, or are payable, by the Company or any subsidiary of the Company to the Directors and the five highest paid individuals during the Track Record Period.

The aggregate amount of directors' fee and other emoluments payable to the Directors for the year ending 31 December 2013 (on full year basis), excluding any discretionary bonus, is estimated to be approximately HK\$1.4 million, comprising (i) HK\$0.4 million (being such part of the estimated remuneration paid or payable by the Parentco Group to the Directors attributable to the period from 1 January 2013 to 25 August 2013 which shall be allocated to the Group as expenses by reference to their involvement in the operations of the Group up to 25 August 2013) and (ii) HK\$1.0 million (being the remuneration which will be paid by the Group to the Directors for the period from 26 August 2013 to 31 December 2013 pursuant to the Directors' service agreements and letters of appointment referred to in the paragraph headed "Particulars of service contracts and letters of appointment" under the section headed "Statutory and general information" as set out in Appendix VI to this prospectus).

The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

After Listing, the remuneration committee of the Company will make recommendation for the remuneration and compensation packages of the Directors and senior management for approval by the Board with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at the Latest Practicable Date, the Group employed a total of 57 employees. A breakdown by functions is tabulated below:

	Approximate number of employees
General management	5
Sales and marketing	—
Accounting, finance and administration	8
Security and maintenance	11
Property management and development	20
Others	<u>13</u>
Total:	<u><u>57</u></u>

The Directors believe that the Group's staff is one of its most valuable assets and has contributed to the success of the Group. The Group provides on-the-job training for its staff to enhance their relevant knowledge and skills. Apart from the termination of employment of some PRC employees arising from the major tenant-mix adjustment programme in respect of the Tianjin Property, the Group to date has not experienced any significant turnover of staff nor any disruption to its business operations.

The remuneration policy of the Group is set on the basis of the merit, qualifications and competence of the employees. In addition to basic salary, performance-related salary may also be awarded to employees based on internal performance evaluation. The Group also provides its employees with other welfare benefits including medical care and other retirement benefits in accordance with applicable regulations and the internal policies of the Group.

The remuneration committee will regularly review the remuneration and compensation package of the Directors and senior management, by reference to, among other things, the Company's operating results, individual performance and market level of salaries paid by comparable companies.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in management and internal control procedures so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, the Company has established the audit committee in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules to oversee the Company's financial reporting procedures and internal controls so as to ensure compliance with the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Company has adopted a system of corporate governance.

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors, the number of which should make up at least one-third of the Board) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The Company is also committed to the view that the independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. The independent non-executive Directors (other than Mr. Lam Siu Lun, Simon who holds dual roles in the Company and the Parentco) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment.

COMPLIANCE ADVISER

The Company has appointed Platinum Securities as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or if the Company's business activities, developments or results materially deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date of despatch of the Group's annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, Parentco held 332,200,000 Shares representing the entire issued share capital of the Company. On the basis that a total of 82,588,800 Shares will be distributed under the Distribution, immediately after the Distribution, Parentco will hold 249,611,200 Shares, representing (i) approximately 75.14% of the entire issued share capital of the Company before completion of the Share Offer and (ii) approximately 60.03% of the entire issued share capital of the Company as enlarged by the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the Company will remain a subsidiary of Parentco.

Parentco was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 December 2003, the shares of which have been listed on the Stock Exchange since 15 April 2004.

The Directors expect that, immediately following the Spin-off, the Remaining Parentco Group will continue to be principally engaged in the operation of department stores in Hong Kong and the PRC, whereas the Group will be principally engaged in property development and property investment with main focus on properties in Hong Kong and the PRC which are not used in the operation of or related to the Remaining Parentco Group's department store business.

INDEPENDENCE FROM PARENTCO

The Board is satisfied that the Group can operate independently from the Remaining Parentco Group following completion of the Spin-off based on the following:

Management Independence

The Company and Parentco have boards of directors that function independently of each other. The following table sets forth the details of the directorships of the Company and Parentco immediately upon Listing:

Name	The Company	Parentco
Ms. Chan Chor Ling, Amy	Executive director	N/A
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	Executive director	N/A
Mr. Thomas Lau	Chairman and non-executive director	Managing and executive director
Mr. Wong Man Hoi	Non-executive director	N/A
Mr. Robert Charles Nicholson	Independent non-executive director	N/A

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER
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Name	The Company	Parentco
Mr. Wong Kun Kau	Independent non-executive director	N/A
Mr. Lam Siu-lun, Simon ("Mr. Simon Lam")	Independent non-executive director	Independent non-executive director
Mr. Doo Wai-hoi, William	N/A	Executive director
Dato' Dr. Cheng Yu-tung	N/A	Chairman and non-executive director
Dr. Cheng Kar-shun, Henry	N/A	Non-executive director
Mr. Joseph Lau	N/A	Non-executive director
Ms. Lau Yuk-wai, Amy	N/A	Non-executive director
Mr. Cheung Yuet-man, Raymond	N/A	Independent non-executive director
The Hon. Shek Lai-him, Abraham	N/A	Independent non-executive director
Mr. Hui Chiu-chung, Stephen	N/A	Independent non-executive director

The Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. Amongst members of the Board, two of them, namely Mr. Thomas Lau and Mr. Simon Lam, also hold positions as directors on the board of Parentco. Mr. Thomas Lau is the managing and executive director of Parentco, whilst Mr. Simon Lam is an independent non-executive director of Parentco. All other Directors do not hold any position in any member of the Remaining Parentco Group.

Both Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) were employees of the Remaining Parentco Group prior to the commencement of the Track Record Period and held senior positions in the New Project Division and Project Development Division, respectively, of the Remaining Parentco Group during the Track Record Period. On 26 August 2013, Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) resigned from their respective positions in the Remaining Parentco Group to maintain management independence of the Group from the Remaining Parentco Group.

Despite the dual roles held in the Group and in the Remaining Parentco Group by Mr. Thomas Lau and Mr. Simon Lam, this should not affect the management independence as the day-to-day operations of the Group will be principally overseen and managed by the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

executive Directors all of whom do not hold any position in the Remaining Parentco Group after the Spin-off, and the role of Mr. Thomas Lau as the Chairman and non-executive Director will focus principally on strategic planning and overseeing the corporate, financial and compliance affairs of the Group and he will not participate in the daily operations of the Group after the Spin-off.

Whilst Mr. Simon Lam is an independent non-executive director of both the Company and Parentco, he will not participate in the day-to-day operation of both the Group and the Remaining Parentco Group. In relation to any transactions between the Group and the Remaining Parentco Group, he will abstain from voting in the relevant resolution(s) of the board of directors of both the Company and Parentco and will not be counted in the quorum of the relevant board meeting. Further, (a) in case the Group proposes to enter into any transactions with the Remaining Parentco Group which are subject to independent shareholders' approval of the Company pursuant to the Listing Rules and (b) with respect to the consideration or review of any matters referred to or under the Non-compete Deed (as mentioned and defined in the paragraph headed "Clear delineation of business" below), the other two independent non-executive Directors of the Company will still be able to form an independent board committee to advise the Company and/or the independent shareholders of the Company on the transactions. It is expected that such arrangement will not affect the discharge of Mr. Simon Lam's duties and responsibilities as independent non-executive director to both the Group and the Remaining Parentco Group.

Save as disclosed above, except Mr. Thomas Lau and Mr. Simon Lam, no other directors or senior management of the Group will have any role in the Remaining Parentco Group after the Spin-off. The day-to-day operations of the Group will be principally overseen and managed by the executive Directors who will not hold any position in the Remaining Parentco Group after the Spin-off. All the executive Directors and senior management members of the Group will not have any official capacity or involvement in, or be remunerated by the Remaining Parentco Group after Listing.

In addition, members of the senior management of the Group have, during the whole or substantially the whole of the Track Record Period, undertaken senior management supervisory responsibilities in the Group's business. The senior management of the Group comprises three persons, and none of them will hold any management or executive roles in the Remaining Parentco Group following the Spin-off. This ensures the independence of the daily management and operations of the Group from those of the Remaining Parentco Group.

All of the Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of the Group. Their further biographical details are set out in the section headed "Directors, senior management and staff" in this prospectus.

Each of the Directors is aware of his fiduciary duties as a Director of the Company which requires, among other things, that he acts honestly and in good faith for the benefit and in the interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. Under the Articles of Association, where a Director has

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

a material interest in any contract, arrangement or other proposal considered by the Board (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), the interested Directors(s) shall abstain from voting in the relevant board resolution of the Company in respect of such transactions and shall not be counted in the quorum of the relevant board meeting. Moreover, if potential conflict of interest between the overlapping directors' roles arises, the interested Directors with potential conflict of interest should abstain from voting at the relevant Board resolution of the Company in respect of such transactions or matters with potential conflict of interest, and they shall not be counted in the quorum of the relevant Board meetings. Board decisions in respect of such transactions or matters with potential conflict of interest will be decided by other Directors with no overlapping roles or involvement in the Remaining Parentco Group. In addition, the Group has a senior management team to carry out business decisions independently. The independent non-executive Directors have sufficient and competent industry knowledge and experience, and will bring independent judgment to the decision making process of the Board, taking into account the advice of the senior management of the Group.

Based on the above, the Board is satisfied that the Board as a whole, together with the senior management team of the Group, are able to perform the managerial role in the Group independently of Parentco.

Operational independence

None of the properties owned by the Group are currently used for the department store business of the Remaining Parentco Group. Save for the grant of trademark license to the Group by the Remaining Parentco Group as mentioned in the sub-section headed "Exempt continuing connected transactions" in the section headed "Continuing connected transactions" in this prospectus, the Group does not rely on any licences held by the Remaining Parentco Group and holds all relevant assets necessary to operate its business. The Group has its own management team to carry out its business and operations, including business development, marketing and sales operations, which will operate separately and independently of the Remaining Parentco Group. Such management team comprises managers who have considerable experience in locating new and potential investment opportunities in the property sector and in property investment and development in Hong Kong and the PRC. Other than looking into the possible referral of opportunities from the Remaining Parentco Group under the Non-compete Deed, the management team of the Group will be able to seek other business opportunities. The capability of the Group to operate independently of the Remaining Parentco Group should not be a concern.

Whilst the Group has entered into two tenancy agreements with the Remaining Parentco Group as described in the sub-section headed "Exempt continuing connected transactions" in the section headed "Continuing connected transactions" in this prospectus, the Directors are of the opinion that there is a ready supply of similar office premises available in the market and a suitable replacement can be obtained on a timely and commercially viable basis at market rent from other independent third party suppliers and that such arrangement will not materially affect the operational independence of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

As disclosed in the sub-section headed “Non-exempt continuing connected transaction” in the section headed “Continuing connected transactions” in this prospectus, the Group has entered into the Framework Agreement with the Remaining Parentco Group in respect of the provision by the Group of non-exclusive property project related services for the property development projects of the Remaining Parentco Group. Although the income generated from the provision of such services is likely to become the major source of income of the Group following the disposal of Tianjin Property, this does not necessarily mean that the Group is dependent on the Remaining Parentco Group. The Group’s principal business activities are all along, during as well as after the Track Record Period, property development and property investment with the main objective of generating return through capital appreciation.

On the other hand, the request for provision of the services contemplated under the Framework Agreement is mainly for ensuring the continuity of the work of the project management team (which has been transferred from the Parentco Group to the Group for the purpose of the Spin-off) for certain existing property projects of the Remaining Parentco Group, rather than for generating income for the Group. Thus, the provision of such services is never intended to be, and should not be considered as, the core business of the Group. Indeed, there was no formal arrangement for the provision and charge of such services during the Track Record Period and therefore no income for such services was recognised in the financial results of the Group during the Track Record Period but the Group could still operate profitably from its core property development and property investment business during the Track Record Period. Besides, for new property projects in the future, the Remaining Parentco Group may consider other service providers or establish its own project management team to undertake the work contemplated to be provided by the Group under the Framework Agreement. Based on the foregoing, the Directors consider that the future development and pursuit of the core business of the Group is independent of whether any Framework Agreement or similar agreement has been entered into by the Group or not.

In view of the above, the Directors believe that the Group is able to operate independent from the Remaining Parentco Group after Listing.

Financial Independence

The Group has its own independent financial system and finance team which are responsible for its own treasury functions despite members of the Group were subsidiaries of Parentco during the Track Record Period.

All amounts due from and/or to the Remaining Parentco Group will be fully repaid, settled, assigned or novated to the Group prior to the Listing Date. During the Track Record Period, a banking facility made available to the Group was guaranteed by Parentco. The outstanding balance of such banking facility of the Group amounted to HK\$47.2 million, nil, nil and nil as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively. The facility was terminated in early 2012.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

During the Track Record Period, despite that members of the Group were subsidiaries of Parentco, their operations were carried out individually at company level. The financials of such operating companies are consolidated at the group level.

Having considered the above factors, the Directors consider that there is no financial dependence on the Remaining Parentco Group after Listing.

Administrative Independence

Whilst the Group will continue to share certain non-management administration services (such as legal, company secretarial, finance and accounting, information technology support, human resources and general office administration) with the Remaining Parentco Group after the Spin-off as mentioned in the sub-section headed “Exempt continuing connected transactions” in the section headed “Continuing connected transactions” in this prospectus, the Directors consider that the Group will have independence of administrative capability for the following reasons:

- (a) the Group, as a minimum, has its own teams and staff members to carry out certain day-to-day and routine administrative functions in areas like finance and accounting, human resources and general office administration, including dealing with local government authorities, for its principal operating subsidiaries in the PRC. The work of these local staff will be supervised by the respective executive Director in-charge;
- (b) the office of the Company in Hong Kong will act as the Company's representative and main office outside China and therefore is mainly for dealing with external matters and/or parties such as the Stock Exchange and other professionals. The administrative and back office support services expected to be provided to the Group will therefore be mainly in the area of high-level supervision and review of the administrative work carried out by staff at the subsidiary level as mentioned in paragraph (a) above in addition to the provision of other non-routine professional type of services such as legal, company secretarial and preparation of consolidated financial statements etc for which the Group might otherwise have to outsource to outside professional firms if it does not feel the need to have a full support team of its own after the Spin-off. Furthermore, as the Group will continue to be subsidiaries of the Parentco after completion of the Spin-off, it is considered not cost effective for the Group to maintain a full separate support team of its own. Sharing of common resources is considered beneficial to both the Group and the Remaining Parentco Group and in the interest of their respective shareholders as a whole; and
- (c) as mentioned in paragraph (a) above, respective executive Directors, who will not hold any roles in the Remaining Parentco Group, in addition to their duties as far as business pursuits are concerned, will also be assigned different management roles that include overseeing the performance of the overall administrative functions (including those services provided by the Remaining Parentco Group) to ensure that the same shall be carried out properly and that the independence of the administrative capability of the Group will not be compromised.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Given that the Group will still carry out the day-to-day administrative functions on its own and be able to exercise supervision and control over the support services performed by the Remaining Parentco Group, the Directors consider that the Group will have independence of administrative capability after the Spin-off. Having considered the above, the Joint Sponsors consider that the Group can operate independently from the Parentco.

Clear delineation of business

After the Spin-off, the Remaining Parentco Group will continue to be principally engaged in the operation of department stores in Hong Kong and the PRC, and the Group will be principally engaged in property development and property investment with main focus on properties in Hong Kong and the PRC which are not used in the operation of or related to the Remaining Parentco Group's department store business.

It has been a business strategy of the Parentco Group to own and/or hold under long-term lease the properties where its department stores are operated. In this relation, Parentco Group also owns the retail areas in the land or properties where its department stores are housed for investment purpose. The Remaining Parentco Group will continue to adopt such business strategy after the Spin-off. Since the Remaining Parentco Group may further expand its number of department stores in Hong Kong and the PRC when it sees suitable opportunities in the future, it may acquire and develop land or properties for the operation of new department stores in Hong Kong and the PRC to correspond to its business strategy.

To ensure there is a clear delineation between the business of the Remaining Parentco Group and the business of the Group, Parentco (which will be the controlling shareholder of the Group after the Spin-off) has, pursuant to the deed of non-competition dated 26 August 2013 (the "**Non-compete Deed**"), undertaken to the Company that, during the period (the "**Non-compete Period**") for which the Non-compete Deed is in force and subject to the exceptions set out below, Parentco shall not, and shall procure that its subsidiaries (within the Remaining Parentco Group) will not (A) acquire, hold or develop, whether directly or indirectly, any land or properties (i) for residential usage or (ii) for commercial usage in Hong Kong or the PRC, or (B) acquire an interest in any company principally engaged in the business of property development and/or property investment whose principal assets comprise such land or properties as are referred to in (A) above, if such company will become a subsidiary of Parentco under the Listing Rules following such acquisition (the "**Relevant Company**"), in each case regardless of the size of the land or properties (collectively, the "**Restrictions**"), provided that the Restrictions shall not apply to the existing properties owned by the Remaining Parentco Group (including the Zhabei Project as defined and mentioned below) as of the date of the Non-compete Deed.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Notwithstanding the Restrictions, the Remaining Parentco Group shall be entitled to acquire, hold or develop the following new land or properties which may be acquired by it after the date of the Non-compete Deed, whether directly or indirectly (including through the acquisition of the Relevant Company):

- (a) any land or properties for the own use and occupation of the Remaining Parentco Group (including without limitation those used for the supermarkets or other business operations by the Remaining Parentco Group and warehouses and offices used in connection with the business operations of the Remaining Parentco Group) for its department store operations and/or for purposes complementary to its department store operations, regardless of the size of the land or properties; or
- (b) any other land or properties, whether partly or wholly, for commercial and/or residential usage on the strict condition that the relevant land, property or interest therein (the opportunity to acquire such land, property or interest therein being hereinafter referred to as the “**Opportunity**”) has first been offered to the Group and rejected by an independent committee of the Board comprising the independent non-executive Directors who do not hold any role in the Remaining Parentco Group (the “**Independent Board Committee**”), and the principal terms on which the Remaining Parentco Group invests, participates or engages in the project are not more favourable to the Remaining Parentco Group as those disclosed to the Group in relation to the Opportunity.

In addition, under the Non-compete Deed, Parentco has undertaken to the Company to procure that the Remaining Parentco Group shall not change the existing use of its owned properties or relevant parts thereof which are designated either for its department store operations or for purposes complementary to its department store operations or for its own use and occupation (including without limitation those used for the supermarkets or other business operations by the Remaining Parentco Group and warehouses and offices used in connection with the business operations of the Remaining Parentco Group) (collectively the “**Permitted Usages**”), to any other usages which do not fall within the scope of the Permitted Usages (the “**Other Usages**”), unless:

- (a) the Remaining Parentco Group offers to the Group for the purchase of the relevant property or relevant portions thereof which is or are proposed to be designated for the Other Usages (collectively the “**Sale Portions**”) at a price equivalent to the fair valuation attributable to the Sale Portions as determined by an independent property valuer; and
- (b) such offer has been rejected by the Independent Board Committee. If such offer is rejected by the Independent Board Committee, the Remaining Parentco Group shall be entitled to deal with, hold or use the Sale Portions for the Other Usages.

In relation to the Zhabei Project (whose details are described in the table mentioned later below and which is to be developed in phases) owned by the Remaining Parentco Group, Parentco has undertaken to the Company under the Non-compete Deed that if and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

whenever the development of a property, or the relevant part thereof, comprised in the Zhabei Project which is for the Other Usages has been completed and is legally permissible for transfer or sale, it will procure the Remaining Parentco Group to offer such property or the relevant part thereof (the “**Offered Zhabei Property**”) to the Group for purchase at a price equivalent to the fair valuation attributable to the Offered Zhabei Property as determined by an independent property valuer. The Company will make the decision on such offer through the Independent Board Committee. If such offer is rejected by the Independent Board Committee, the Remaining Parentco Group shall be entitled to deal with, hold or use the Offered Zhabei Property for the Other Usages.

Parentco has also undertaken to the Company under the Non-compete Deed that during the Non-compete Period it will procure the Remaining Parentco Group to refer any potential tenants of its retail space (excluding for this purpose the retail space within the department stores or supermarkets owned or operated by the Remaining Parentco Group) to the Group when enquiries are received from such potential tenants in the event that such retail space of the Remaining Parentco Group and the Group are in the same city.

The core business of the Remaining Parentco Group is department store business which is targeting at end customers’ demand for consumer goods, and that of the Group is property development and property investment (including commercial and residential projects) with the main objective of generating return through capital appreciation.

In view of their difference in business nature and focus, the principal factors that the Remaining Parentco Group will consider when selecting land or properties for future development include, amongst others, the costs of acquisition and development of, and the size and location of and ease of access to, the property concerned, all of which are critical to assess whether the property is suitable and viable for development as a department store. In particular, the Remaining Parentco Group is concerned whether the property can offer a size of sufficient scale for development as a department store, whether there will be sufficient traffic footfall in the area where the department store is located, and whether the establishment of department store in that location can broaden the geographical coverage and exposure of its department store business and is in line with its business expansion strategy.

On the other hand, when considering a property investment opportunity, especially in the PRC, and subject to and taking into account the availability of the financial resources of the Group, the Group’s principal consideration is to assess the potential of the property for moderate to high capital appreciation on the basis of a holding period of 3 to 5 years taking into account, among others, the location and size of the property, the surrounding environment and facilities (such as transport links and city planning), the mix of uses that can be accommodated in the property, the physical conditions and possibility of creating value in the property through renovation or other enhancement work and the supply and demand characteristics and the overall level of competition in the local market.

As of the Latest Practicable Date, except for the Zhabei Project in Zhabei, Shanghai as mentioned in the table below, most of the properties currently owned, leased or to be developed by the Remaining Parentco Group are principally for its own use such as office,

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

staff quarter or warehouse, or for the operation of its department store business or for its own food and confectionary operation under the “Freshmart” brand name with certain portion of certain buildings or premises in which its department stores are situated being designated as car park for the use of customers for rental income, or rented out for operation of restaurants, beauty salons, food and beverage outlets under leasing arrangements, or for holding private sales or clearance sales activities for third party brands, or for its certain other existing non-core business operations (like the operation of the SOGO Club or its self-owned operated Japanese restaurant).

The land or properties owned by the Remaining Parentco Group as at the Latest Practicable Date are set out below:

Address	Attributable interests to the Remaining Parentco Group		Usage as at Latest Practicable Date				
	Department store		Approximate GFA (sq.m.)	For own use or for purposes complementary to department store operations	Approximate GFA (sq.m.)	Other usage	Approximate GFA (sq.m.)
Hong Kong							
(A) East Point Centre, No.555 Hennessy Road, Causeway Bay, Hong Kong							
1. 1st to 2nd Basement, part of G/F & 1/F to 7/F & 9/F — including roof on 4/F of East Point Centre (Old Wing)	100%	Operation of a department store under the name of “SOGO” by the Remaining Parentco Group	31,482	—	—	—	—
Part of G/F (Bank Premises) of East Point Centre (Old Wing)							
10/F (excluding lift machine room) of East Point Centre (Old Wing)							
B2-10/F of East Point Centre (New Wing)							
2. 11-16/F of East Point Centre (New Wing)	100%	—	—	Operation by the Remaining Parentco Group of a leisure service centre offering leisure services under the name of “SOGO Club”	5,146	—	—
3. 21-22/F of East Point Centre (New Wing)	100%	—	—	Conference room for own use and operation of an event hall by the Remaining Parentco Group	1,162	—	—

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Address	Attributable interests to the Remaining Parentco Group		Department store	Approximate GFA (sq.m.)	Usage as at Latest Practicable Date	Approximate GFA (sq.m.)	Other usage	Approximate GFA (sq.m.)
					For own use or for purposes complementary to department store operations			
4. 22/F of East Point Centre (Old Wing)	100%	—	—	—	Operation of a Japanese restaurant by the Remaining Parentco Group	1,075	—	—
5. Units 1204 and 1205 and 20/F of East Point Centre (Old Wing) 17–20/F of East Point Centre (New Wing)	100%	—	—	—	For own use as office, a portion of which has been leased to the Group under the HK Tenancy Agreement as described in the subsection headed “Exempt continuing connected transactions” under the section “Continuing connected transactions” in this prospectus	4,641 (of which has been approximately 500 sq.feet. (equivalent to approximately 50 sq.m.) has been leased to the Group under the HK Tenancy Agreement)	—	—
6. 15/F of East Point Centre (Old Wing)	100%	—	—	—	For own use as staff canteen	1,075	—	—
7. Main roof of East Point Centre (Old Wing)	100%	—	—	—	For roof top signage	—	—	—
8. Roof Top of East Point Centre (New Wing)	100%	—	—	—	—	—	—	—
Sub-total				31,482 (70.6%)		13,099 (29.4%)	—	—
(B) Yau Lee Centre, No. 45 Hoi Yuen Road, Kwun Tong, Kowloon								
G/F, 1/F & 2/F and a lorry parking space No. L4 on G/F	100%	—	—	—	For own use as warehouse and lorry parking space	4,294 (100%)	—	—
(C) Lockhart Road, Causeway Bay, Hong Kong								
1/F No.522, 2/F No.504 & 3/F No.516 Lockhart Road, Causeway Bay, Hong Kong	100%	—	—	—	For own storage use	182 (100%)	—	—
(D) Grand Deco Tower, No. 26 Tai Hang Road, Tai Hang, Hong Kong								
Flat B, 17/F & a car parking space No. 2 on 3/F	100%	—	—	—	For own use as staff quarter	131 (100%)	—	—

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Address	Attributable interests to the Remaining Parentco Group	Department store	Approximate GFA (sq.m.)	Usage as at Latest Practicable Date			Approximate GFA (sq.m.)
				For own use or for purposes complementary to department store operations	Approximate GFA (sq.m.)	Other usage	
PRC							
(A) Suzhou property							
蘇州市蘇州工業園區旺敦路268號 No. 268 Wangdun Road, Suzhou Industrial Park, Suzhou The property is a 4-storey building above 2-storey basements.	100%	Operation of a department store under the name of “久光百貨 (Jiuguang Department Store)” by the Remaining Parentco Group	126,576 (71.7%)	Car parking spaces and for own use as office, staff canteen and back office facilities	49,902 (28.3%)	—	—
(B) Dalian property							
大連市中山區友好街11號 No.11 Youhao Street, Zhongshan District, Dalian The property is a 10-storey building above 2-storey basements.	100%	Operation of a department store under the name of “久光百貨 (Jiuguang Department Store)” by the Remaining Parentco Group	27,263 (78.0%)	Car parking spaces and for own use as office, staff canteen and back office facilities	7,682 (22.0%)	—	—
(C) Shenyang property (i.e. Jiuguang Shenyang Store)							
瀋陽市瀋河區正陽街西側 Zhangyang Street West, Shenhe District, Shenyang The property is a 4-storey building above 3-storey basements and is currently under renovation.	100%	Operation of the Jiuguang Shenyang Store, being a department store under the name of “久光百貨 (Jiuguang Department Store)”, by the Remaining Parentco Group	81,081 (68.1%)	Car parking spaces and for own use as office, staff canteen and back office facilities	38,010 (31.9%)	—	—
(D) Land in Shanghai^{Note 2}							
Lot 33, 312 Street, Zhabei District, east to Gonghexin Road, south to Daning Road, west to Orient Pearl Apartment, north to Shanghai Circus World, Shanghai, the PRC The property is currently a piece of vacant land with a site area of 50,153.5 sq.m.. It is intended that a commercial complex of a total GFA of approximately 345,144 sq.m. will be developed on the site (the “Zhabei Project”).	100%	Operation of a department store by the Remaining Parentco Group	34,760 (10.1%)	Car parking spaces and for own use as office, staff canteen and back office facilities	30,705 (8.9%)	Other retailing areas, offices, car parking spaces and electrical and mechanical (E&M) plant room	279,679 (81.0%)

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Notes:

1. The Remaining Parentco Group also owns 50% effective interest in the Shanghai Joinbuy CityPlaza, 1618 Nanjing Xi Road, Jing An District, Shanghai, the PRC (the “**Joinbuy CityPlaza**”), through a joint venture company. The Remaining Parentco Group leases from such joint venture company the Joinbuy CityPlaza for the operation of its Shanghai Jiuguang store.
2. As the Zhabei Project is still at an early stage of development, the usage of the land in Shanghai as mentioned above are only the intended usage of such piece of land by the Remaining Parentco Group as at the Latest Practicable Date.

As noted from the above table, except for the Zhabei Project, the properties owned by the Remaining Parentco Group are principally for its own use or used for its department store business or otherwise for purposes complementary to its department store operations. The planned Zhabei Project is situated in Shanghai where the Group currently does not have any property investments or projects. It includes a sizable department store of the Remaining Parentco Group, and is a large scale commercial development. At present, the Group plans to deploy the majority of its financial resources in developing Yifu Land in the next few years. Given the size of the Zhabei Project and the amount of financial resources of the Group available after taking into account the funding required for the development of the Yifu Land, the Directors consider that it is not currently financially feasible for the Group to develop the Zhabei Project on its own and as such, the Zhabei Project has not been included in the Group for the purpose of the Spin-off.

The SOGO and Jiuguang department stores of the Remaining Parentco Group are established as retail premises with the intention of not only offering unique shopping experience but also transforming shopping into a lifestyle. Unlike the operation of a standalone commercial retail use or the holding of car parking spaces or properties for rental income and capital appreciation which is the main pursuit of a property development and property investment business, the Remaining Parentco Group considers that the usage of the properties owned by the Remaining Parentco Group for purposes complementary to department store operations or for own use and occupation as described in the above table is not so much a standalone profit venture as compared to the operation of a separate and independent shopping mall, nor is it simply for generating rental income. The Remaining Parentco Group considers that their usage in the way described above (including through the provision of car parking spaces, operation of a leisure service centre and operation of event hall) is fundamentally essential to attract customer footfall, bring shopping convenience and access and provide one-stop shopping experience for the end customers of its department stores. The Remaining Parentco Group considers that the operation of SOGO Club as leisure service centre offering leisure services, which takes the form of either direct sales or concessionaire arrangement, also enable the Remaining Parentco Group to broaden its customer base and enhance the image and brand equity of its department stores. In respect of the event hall at 21/F of East Point Centre (New Wing) as mentioned in the table above, it is used for holding private sales/clearance sales activities or own functions. As such, the Remaining Parentco Group considers that their usage is to complement and enrich the overall department store operations of the Remaining Parentco Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Having considered the above, the Directors are of the view that the existing land or properties owned by the Remaining Parentco Group and their usage do not pose material competition to the Group. Having considered the above reasons and factors, the Joint Sponsors concur with the Directors' view that the competition is not material to the Group.

The Directors consider that the major competitors of the Group are developers with property development projects in the vicinity of those of the Group. The further the distance of another property development, the more indirect the competition will be. Taking into account (a) the different business nature and focus of the Group and the Remaining Parentco Group; (b) the vast territory of the PRC which has the potential to offer a considerable number of alternative property development opportunities amongst different regions and cities; (c) that except for the Zhabei Project, the properties owned or leased by the Remaining Parentco Group are principally for its own use or used for its department store business or otherwise for purposes complementary to its department store operations; and (d) the protection provided to the Group under the Non-compete Deed, the Directors are of the view and the Joint Sponsors concur that there is a clear delineation between the businesses of the Group and the Remaining Parentco Group and that the extent of the Remaining Parentco Group's potential competition with the Group is limited.

In deciding whether to pursue the Opportunity or to accept the offer for the purchase of the Sale Portions or the Offered Zhabei Property (such Opportunity or offer being hereinafter referred to as the "**New Investment Opportunity**") offered under the Non-compete Deed, the Company will seek approval from the Independent Board Committee. The Independent Board Committee will consider whether it is in the Company's interest and that of the Shareholders as a whole to pursue the New Investment Opportunity, taking into account the advice given by various independent professional advisers appointed by the Company, including but not limited to financial advisers or valuers, at the cost of the Company, where necessary. In considering whether to pursue the New Investment Opportunity, the Independent Board Committee is expected to consider, among other things, whether the pursuit of such New Investment Opportunity would be consistent with the Group's strategies then prevailing, the financial condition of the Group, the availability of financial resources to the Group and the cost of funding for the project under such New Investment Opportunity, the expected return of such New Investment Opportunity compared to other available business opportunities and any other relevant factors. The Company will disclose in its annual report the offer of such New Investment Opportunity and any decision made by the Independent Board Committee to accept or decline the New Investment Opportunity and the basis thereof.

Based on the current directorship of the Company, if the Independent Board Committee is to be formed for considering a New Investment Opportunity, its composition will comprise Mr. Robert Charles Nicholson and Mr. Wong Kun Kau (both being independent non-executive Directors) only as Mr. Simon Lam, being an independent non-executive Director, is also an independent non-executive director of Parentco which position may put him in a potential conflict-of-interest situation and render him not suitable to act as a member of the Independent Board Committee to advise the Company and its shareholders impartially in relation to the New Investment Opportunity.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Mr. Robert Charles Nicholson has extensive experience in the legal field and was a senior partner of Richards Butler, Solicitors from 1985 to 2001 where he established the corporate and commercial department. He is currently an executive director of First Pacific Company Limited (stock code: 142) and an independent non-executive director of each of Pacific Basin Shipping Limited (stock code: 2343) and QPL International Holdings Limited (stock code: 243), all of which are listed public companies in Hong Kong. Whilst the principal businesses of First Pacific Company Limited and its subsidiaries or associates relate to telecommunications, infrastructure, consumer food products and natural resources but not property development, as an executive director of First Pacific Company Limited for almost 10 years, he participates in the board's decision making process in relation to the group's capital expenditure or acquisition programmes which, from time to time, include properties (such as factories, warehouses, power plant and plantation land). Further, as an experienced corporate and commercial lawyer for over 20 years, Mr. Robert Charles Nicholson is familiar with corporate governance principles and the Listing Rules and has advised clients which were listed companies in Hong Kong and their directors from time to time in the past on issues involving conflicts of interest between the listed companies and their controlling shareholders. Besides, the listed companies in which he acts as director have also entered into connected transactions from time to time and he has gained much experience as a director of listed companies in ensuring that such transactions are conducted fairly and reasonably and in the interest of the relevant company and its shareholders as a whole.

Mr. Wong Kun Kau has extensive experience in the investment banking industry. He worked in the Peregrine Group from 1992 to 1998 and held senior position in BNP Paribas Capital (Asia Pacific) Limited from 1998 to 2007. His last position with BNP Paribas Capital (Asia Pacific) Limited was the head of investment banking, Asia and head of corporate finance in corporate finance-management department. He is also an independent non-executive director of each of West China Cement Limited (a listed public company in Hong Kong, stock code: 2233) and Anhui Conch Cement Company Limited (a listed public company in Hong Kong and in the Shanghai Stock Exchange, PRC, stock code: 914 and 600585 respectively) and a non-executive director of Sun King Power Electronics Group Limited (a listed public company in Hong Kong, stock code: 580). Apart from the experience gained from his private property investment, Mr. Wong Kun Kau does not have other major experience in property development and property investment. Besides, he is also an independent non-executive director of two listed companies in Hong Kong, namely West China Cement Limited and Anhui Conch Cement Company Limited, where he also serves as a member of the audit committee of such companies. Such companies have entered into connected transactions from time to time and he has gained much experience as an independent non-executive director and member of the audit committee of such companies in ensuring that such transactions were conducted fairly and reasonably and in the interest of the relevant company and its shareholders as a whole. In addition, as an independent non-executive director of West China Cement Limited, Mr. Wong Kun Kau is also required to review, at least annually, the compliance of the deed of non-competition executed by the controlling shareholders of West China Cement Limited.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

For the purpose of considering a New Investment Opportunity, the Independent Board Committee may, at the costs of the Company, engage external professional advisers (such as independent valuers and consultancy firm specialising in property investment and development industry in the region where the subject land or property is situated) as they may consider necessary to advise them on matters relating to property development and investment and the evaluation of such New Investment Opportunity.

The Company believes that the directorship in other listed companies and relevant experiences in the legal and investment banking industry of both Mr. Robert Charles Nicholson and Mr. Wong Kun Kau, (where necessary) coupled with the advice from the externally engaged professional advisers, will contribute to the safeguarding of the Company's and the Shareholders' interests as a whole when they act as members of the Independent Board Committee to consider and evaluate the New Investment Opportunity.

In the event that the votes by the Independent Board Committee are tied with respect to a decision on the New Investment Opportunity, the Company will make an announcement informing Shareholders the progress of the matter and appoint an independent financial adviser to advise the Company on the New Investment Opportunity. The Company will make a decision on the New Investment Opportunity based on the advice of such independent financial adviser and update the Shareholders with such advice and the decision of the Company by way of announcement.

Parentco has further undertaken to the Company that, during the Non-compete Period:

- (a) it will provide to the Company all information as the Company may reasonably require in order to make an informed assessment of the New Investment Opportunity.
- (b) it will provide to the Company all information necessary for (i) the annual review by the Independent Board Committee in relation to the compliance of the terms set out in the Non-compete Deed by Parentco; and (ii) disclosure of decisions made by the Independent Board Committee on matters reviewed by them relating to the compliance of the terms set out in the Non-compete Deed by Parentco in the Company's annual report, circular or public announcement or notice, and it will give consent to the disclosure of all such information in the Company's annual report, circular or public announcement or notice;
- (c) it will allow the Directors, their respective representatives and the auditors of the Company to have sufficient access to the records of the Remaining Parentco Group to ensure its compliance with the terms and provisions of the Non-compete Deed;
- (d) it will provide, for the purpose of disclosure in the Company's annual report, an annual confirmation to the Company confirming whether or not (i) it has complied with the terms set out in the Non-compete Deed; and (ii) the Remaining Parentco

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Group has entered into any transaction with the intent to circumvent the terms of the Non-compete Deed, and it acknowledges and agrees that such annual confirmation will be disclosed in the annual report of the Company; and

- (e) it will procure those of its directors who are also Directors of the Company to abstain from voting at any meetings of both the board of Parentco and the Board of the Company for consideration and approval of any matters referred to in the Non-compete Deed which have or may give rise to conflicts of interest, whether actual or potential.

The Independent Board Committee will conduct appropriate checking to assess if the Remaining Parentco Group has failed to comply with the terms of the Non-compete Deed in any material manner. The Independent Board Committee will also review Parentco's compliance with the Non-compete Deed on an annual basis. The Company will disclose and the Parentco acknowledges and agrees under the Non-compete Deed that the Company may disclose decisions on matters reviewed by the Independent Board Committee relating to the breach, compliance and enforcement of the Non-compete Deed either through its annual reports or by way of announcements, circular or notice to the public. The Company will also disclose Parentco's annual declaration on compliance with the Non-compete Deed in its annual reports.

Under the Non-compete Deed, all future transactions which may be conducted by the Group and the Remaining Parentco Group in connection with or otherwise relating to the New Investment Opportunities are subject to and conditional upon compliance by Parentco and the Company with the Listing Rules including the obtaining of relevant independent shareholders' approval of Parentco and/or the Company. Each of Parentco and the Company shall use their respective best endeavours to ensure compliance with the Listing Rules when undertaking such transactions.

In order to ensure compliance with the terms of the Non-compete Deed, the Remaining Parentco Group has implemented certain internal measures in relation to its future land or property acquisition process and proposal for change of use of its existing properties. Under these measures, all proposals for its land acquisition (whether through acquisition of company or not) or change of use of its existing properties must first be referred or reported to an internal committee of the Remaining Parentco Group, which will comprise not less than two management members of the Remaining Parentco Group with at least one from the legal and compliance division of the Remaining Parentco Group and one from the finance division of the Remaining Parentco Group, for review as to whether such proposals are subject to the provisions relating to the rights of first refusal required to be offered to the Group under the Non-compete Deed. No such proposals should go ahead without the approval from the internal committee that the same are not subject to such right-of-first-refusal provisions, or if the same are so subject to these provisions, the internal committee will advise the directors of Parentco which can then take necessary actions to ensure that the opportunity to acquire relevant land or properties will, in accordance with the terms of the Non-compete Deed, be first offered to the Group for consideration.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

The Non-compete Deed is conditional upon the fulfillment of the conditions set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

The Non-compete Deed will cease to have effect upon occurrence of the earliest of any of the following events or circumstances: (i) the day on which the Shares cease to be listed on the Stock Exchange; (ii) the day on which the Remaining Parentco Group, taken as a whole, (aa) ceases to be or ceases to be deemed as controlling shareholder(s) of the Company (within the meaning ascribed to it under the Listing Rules from time to time) (excluding for this purpose any temporary reduction in the direct or indirect shareholdings in the Company by reason of a placing of the Shares by the Remaining Parentco Group with one or more persons and then, as soon as is practicable, subscribes for new Shares of the Company and again becomes a controlling shareholder(s) of the Company), (bb) does not have power to control the Board and (cc) there is at least one other shareholder of the Company holding (together with its associates) more voting power attaching to shares in the Company than that held by the Remaining Parentco Group; or (iii) the day on which the Remaining Parentco Group beneficially owns the entire issued share capital of the Company.

CONFIRMATION

Neither Parentco nor any of the Directors were, as at Latest Practicable Date, interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

The Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of the Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between the Group and the Remaining Parentco Group will be taken:

- (a) the Independent Board Committee will be responsible for deciding and given authority to decide, without attendance by any Directors with beneficial or conflict interests in the New Investment Opportunity, whether or not to take up the New Investment Opportunity referred to the Group by the Remaining Parentco Group under the Non-compete Deed. For this purpose, the Independent Board Committee may, at the costs of the Company and from time to time, engage external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;
- (b) any transaction (if any) between (or proposed to be made between) the Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

- (c) in the event that there is conflict of interest in the operations of the Group and the Remaining Parentco Group and its associates, and in respect of any proposed contracts or arrangements between the Group and the Remaining Parentco Group and its associates, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to the Board. Pursuant to the Articles, should a Director have any material interests in the matter (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), he/she shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting.

On the basis that all Directors (except Mr. Thomas Lau and Mr. Simon Lam) and senior management of the Group do not hold any position in the Remaining Parentco Group, and that each of the executive Directors and senior management has extensive and relevant experience in the property business, the Directors are of the view that the Board will have the expertise to transact business which may potentially involve conflict of interest between the Remaining Parentco Group and the Group objectively, impartially and in the interest of the Company and the Shareholders as a whole. Besides, conflict of interest of any overlapping Directors will not affect the business operations of the Group as the daily business operations of the Group are operated and implemented by employees of the Group under the strategic directions of the Board, or as the case may be, the experienced and disinterested Board.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Remaining Parentco Group and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

The following table sets out various transactions between the Group and the Remaining Parentco Group which will continue and constitute continuing connected transactions of the Group under the Listing Rules after Listing:

Parties involved	Nature of transaction
<i>Non-exempt continuing connected transaction</i>	
A. Services Framework Agreement	
Parentco and the Company	Provision by the Group of non-exclusive property project related services in respect of property development, including but without limitation feasibility study, design, project co-ordination and supervision, for the relevant property(ies) owned by or leased to the Remaining Parentco Group and situated in the PRC and Hong Kong
<i>Exempt continuing connected transactions</i>	
B. Sharing of Administrative Services	
Remaining Parentco Group and the Group	Provision by the Remaining Parentco Group of administrative and back office support services to the Group
C. Trademark Licensing Agreement	
Lifestyle Corporate Services Limited (a member of the Remaining Parentco Group) as the licensor and the Company as the licensee	Grant of non-exclusive trademark license by Lifestyle Corporate Services Limited to the Group
D. Hong Kong Tenancy Agreement	
Grand Kinetic Limited (a member of the Remaining Parentco Group) as the landlord and owner and City Vision (a wholly-owned subsidiary of the Company) as the tenant	Tenancy agreement in respect of the lease of a portion of 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong to the Group as office

CONTINUING CONNECTED TRANSACTIONS

Parties involved

Nature of transaction

E. PRC Tenancy Agreement

Shanghai Ongoing Department Store Limited (a member of the Remaining Parentco Group) as the tenant and Lichen Company (a wholly-owned subsidiary of the Company) as the sub-tenant

Tenancy agreement in respect of the lease of Room 910 on the 9th Floor of Shanghai Joinbuy CityPlaza situated at Shanghai Joinbuy CityPlaza, 1618 Nanjing Xi Road, Shanghai, the PRC, to Lichen Company as office

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Services Framework Agreement

Relationship between the Group and the connected person

Upon Listing, Parentco will become a Controlling Shareholder of the Company and hence will become a connected person of the Company within the meaning of the Listing Rules. Hence, the transaction contemplated under the Framework Agreement (as defined and mentioned below) will constitute a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules upon Listing.

Principal terms

The Company entered into a services framework agreement (the “**Framework Agreement**”) with Parentco on 26 August 2013. This agreement regulates, inter alia, all future transactions (“**Transactions**”) between member(s) of the Group and member(s) of the Remaining Parentco Group arising from provision by the Group of non-exclusive property project related services in respect of property development, including but without limitation feasibility study, design, project co-ordination and supervision, for the relevant property(ies) owned by or leased to the Remaining Parentco Group and situated in the PRC and Hong Kong (“**Services**”). For the avoidance of doubt, the Services do not cover the provision of routine property management services for existing properties of the Remaining Parentco Group.

CONTINUING CONNECTED TRANSACTIONS

The principal terms of the Framework Agreement are set out below:

- Date** : 26 August 2013
- Parties** : (1) Parentco
(2) the Company
- Condition** : The Framework Agreement shall become effective conditional on (a) the listing of, and permission to deal in, the Shares being granted by the Stock Exchange and (b) the commencement of dealings in the Shares on the Stock Exchange.
- Term** : From the Listing Date up to and including 31 December 2015 (the “**Initial Term**”), unless terminated earlier by either party giving to the other party not less than 30 business days’ written notice in advance or otherwise in accordance with the terms of the Framework Agreement.
- Subject to compliance with the requirements of the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Initial Term or subsequent renewal term, the Framework Agreement will be automatically renewed for successive periods of 3 years each thereafter (or such other period permitted under the Listing Rules).
- Types of services** : The Remaining Parentco Group may from time to time during the term of the Framework Agreement request the Group to provide the Services.

CONTINUING CONNECTED TRANSACTIONS

Subsidiary Agreement(s) : Members of the Remaining Parentco Group and the Group may from time to time during the term of the Framework Agreement enter into various individual separate services agreement(s) (the “**Subsidiary Agreement(s)**”) in relation to any Transaction. A Subsidiary Agreement shall set out the particular scope of the Services, terms and fees of services and other terms in conformity with the terms of the Framework Agreement. The terms of each Subsidiary Agreement must comply with the terms of the Framework Agreement. In particular, the Services to be provided under any Subsidiary Agreement must comply with the following terms:

- (a) its terms are on normal commercial terms (or on terms no less favourable to the Group than terms available to or from Independent Third Parties);
- (b) the fee for the Services shall be based on the costs of provision of the relevant services plus a reasonable margin to be agreed by the relevant parties. Such fee shall be determined on arm's length negotiations and by reference to the actual costs to be incurred by the Group for provision of the relevant Services; and
- (c) all the Transactions shall be conducted in compliance with all applicable provisions of the Listing Rules, applicable laws, and the respective terms of the Framework Agreement and the Subsidiary Agreement.

Reasons for the Transactions

The development and construction work of any property project of the Parentco Group are generally carried out by contractors or professionals of various kinds. The Parentco Group had its own project development team in the past to help supervising the work of the different contractors and professionals. However, for the purpose of the Spin-off, the staff comprising such project development team of the Parentco Group, who has been responsible for providing the Services to members of the overall Parentco Group, has been transferred to the Group. As far as the existing projects of the Remaining Parentco Group are concerned, it is necessary from a continuity perspective for the Remaining Parentco Group to continue engaging the Group (which has its previous project development team) to provide the Services, which mainly relate to the management and coordination of different stages or parties throughout the development period of the projects. For new projects in the future, the Remaining Parentco Group may continue to appoint the Group or other service provider(s) to undertake the coordination and

CONTINUING CONNECTED TRANSACTIONS

supervision work or if necessary, the Remaining Parentco Group will consider hiring additional project management personnel for its own project development team. Against these backgrounds, Parentco and the Company entered into the Framework Agreement for the purpose of regulating all future transactions between the Remaining Parentco Group and the Group arising from the provision of non-exclusive Services.

It is considered beneficial to the Group to enter into the Framework Agreement for the continuing provision of the Services to the Remaining Parentco Group, which is within its capability and in the ordinary and usual course of its business and which may also generate income for the Group.

To ensure continuing compliance with the requirements relating to continuing connected transactions under Chapter 14A of the Listing Rules, it is necessary for the Group to enter into the Framework Agreement with the Remaining Parentco Group to regulate collectively and individually the provision of any particular Service. The aggregate amount of fees for Services to be received by the Group is expected to have an aggregate annual value falling within the reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual caps for the Framework Agreement

For the purpose of the Listing Rules, the annual caps of the total amount of service fees payable to the Group for the provision of the Services under the Framework Agreement for each of the financial years ending 31 December 2013 (covering the period from the Listing Date to 31 December 2013), 2014 and 2015 (the "**Service Fee Caps**") are set at HK\$2,900,000, HK\$7,200,000 and HK\$7,900,000 respectively. The Service Fee Cap for the year ending 31 December 2013 is substantially lower than those for the years ending 31 December 2014 and 2015 because the period covered by it is not a full year and is only around 4 months commencing from the Listing Date to the year end of 2013. The Service Fee Caps were arrived at on the basis of and by reference to, inter alia, (a) the extent of the expected manpower required for the Services to be rendered by the Group which was determined based on the estimated allocation of time of the project development team of the Group after Listing on the property projects of the Remaining Parentco Group and the Group during the period; (b) historical manpower costs attributable to such project development team of approximately HK\$8.6 million for the year ended 31 December 2012 (approximately HK\$6.3 million and HK\$7.2 million respectively for the years 2010 and 2011) which is the base figure for the projection of manpower costs during the period before apportionment of such projected costs amongst the Group and the Remaining Parentco Group with reference to the estimated time allocation under (a) above, and based on such projection, the projected manpower costs attributable to the Remaining Parentco Group are approximately HK\$2.7 million, HK\$6.7 million and HK\$7.3 million for the respective periods covered under the Service Fee Caps; (c) expected salary increment of the project development team during the period; and (d) expected mark-up over the projected costs of the Services which was within the market range as confirmed by an independent firm of quantity surveyors.

CONTINUING CONNECTED TRANSACTIONS

Historical Figures

As the Group is part of the Parentco Group prior to completion of the Spin-off, no formal arrangement for the provision of the Services and the charges for such services between members of the Parentco Group had been formalised and put in place during the Track Record Period. As such, no historical figures for this transaction for the Track Record Period are available.

Listing Rules implications

As the highest of the applicable percentage ratios for the Service Fee Caps under the Listing Rules is more than 25% on an annual basis, the continuing connected transactions contemplated under the Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the terms of the non-exempt continuing connected transaction described above are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and such non-exempt continuing connected transaction has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms. In addition, the Directors (including the independent non-executive Directors) consider the proposed annual caps for the above non-exempt continuing connected transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transaction described above has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) the proposed annual caps for the non-exempt continuing connected transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR WAIVER FROM STRICT COMPLIANCE OF THE LISTING RULES

As the above non-exempt continuing connected transaction is expected to continue on a recurring basis and is expected to extend over a period of time and the transaction is in the ordinary and usual course of the Group's business, the Directors (including the independent non-executive Directors) consider that strict compliance with the independent shareholders' approval and announcement requirements in respect of the transaction would be impractical and in particular, would add unnecessary administrative costs to the Company. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from compliance with the independent shareholders' approval and announcement requirements in respect of the transaction under Chapter 14A of the Listing Rules. The Company will comply with the relevant

CONTINUING CONNECTED TRANSACTIONS

requirements under Chapter 14A of the Listing Rules, including that the proposed annual caps set out above will not be exceeded and Rules 14A.35(1), 14A.35(2), 14A.35(5), 14A.36 to 14A.40, 14A.45 and 14A.46 of the Listing Rules in relation to the above transaction. Upon expiry of the waiver granted in connection with the above non-exempt continuing connected transaction, the Company will comply with the relevant rules of Chapter 14A of the Listing Rules (including shareholders' approval requirements as appropriate).

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transactions will constitute continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

(1) Sharing of administrative services

The Remaining Parentco Group is currently providing certain administrative and back office support services to the Group and is charging on a cost basis.

The administrative and back office support services provided by the Remaining Parentco Group to the Group include legal, company secretarial, finance and accounting, information technology support, human resources and general office administration. Notwithstanding the provision of such administrative and back office support services by the Remaining Parentco Group to the Group, the Directors consider that the Group will have independence of administrative capacity for reasons set out in the paragraph headed "Administrative Independence" in the sub-section headed "Independence from Parentco" in the section headed "Relationship with the Controlling Shareholder" in this prospectus.

The costs shared and to be shared between the Group and the Remaining Parentco Group include salaries, bonus, provident funds and other related expenses for the staff members of the Remaining Parentco Group who are involved in providing the above services to both the Group and the Remaining Parentco Group. The above costs are and will be shared between the Group and the Remaining Parentco Group, based on actual usage such as utilisation of staff time or number of head count providing the service.

The Directors consider that the basis of cost allocation of administrative and back office support services between the Group and the Remaining Parentco Group is fair and equitable and that the arrangement for sharing of administrative and back office support services is fair and reasonable and in the interests of the Company and Shareholders as a whole.

The fees borne by the Group for administrative and back office support services provided by the Remaining Parentco Group amounted to approximately HK\$527,000, HK\$480,000, HK\$502,000 and HK\$182,000 respectively for each of the three years ended 31 December 2012 and the six months ended 30 June 2013.

Upon Listing, Parentco will become a Controlling Shareholder of the Group. Accordingly, members of the Remaining Parentco Group will upon Listing be classified as connected persons of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Sharing of administrative and back office support services on a cost basis with the Remaining Parentco Group will, upon Listing, constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules, but will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Rule 14A.33(2) of the Listing Rules.

(2) Grant of rights to use trademarks by Remaining Parentco Group to the Group

The Remaining Parentco Group is the owner of the registered trademarks “利福” and “利福 Lifestyle” in Hong Kong and the PRC (collectively the “**Relevant Trademarks**”).

As the Group will continue to use the marks “利福” and “利福 Lifestyle” after the Spin-off as a corporate identification that it is still part of or belongs to the overall Parentco Group following the Spin-off, for the purpose of the Spin-off exercise, the Company entered into a trademark licensing agreement (the “**Trademark Licensing Agreement**”) with Lifestyle Corporate Services Limited, a member of the Remaining Parentco Group, on 26 August 2013 for regulating the use of the Relevant Trademarks. Under the Trademark Licensing Agreement, Lifestyle Corporate Services Limited granted a non-exclusive right by way of license to members of the Group to use the marks “利福” and “利福 Lifestyle” for its business operations in Hong Kong and the PRC for free for a period from the date of the Trademark Licensing Agreement until the Company ceases to be a subsidiary of Parentco.

Further particulars of the Relevant Trademarks are set out in the paragraph 2.A(iii) “Intellectual Property — Trademarks” of the section headed “B. Further information about the business” in Appendix VI “Statutory and General Information” in this prospectus.

Taking into account (1) the Group will remain subsidiaries of Parentco after the Spin-off; (2) the rights to use the Relevant Trademarks by the Group will cease when the Company ceases to be a subsidiary of Parentco; (3) the nature of the trademarks “利福” and “利福 Lifestyle” as corporate symbols or image of the overall Parentco Group, the Directors (including the independent non-executive Directors) are of the view that the Trademark Licensing Agreement has been entered into on normal commercial terms (or on terms which are more favourable to the Group), in the ordinary and usual course of business of the Group and the terms of the Trademark Licensing Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As the rights to use the Relevant Trademarks were granted to the Group by the Remaining Parentco Group on a royalty-free basis, the arrangement under the Trademark Licensing Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules on the basis that it falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(3) HK Tenancy Agreement

City Vision (a wholly owned subsidiary of the Company) as tenant entered into a tenancy agreement (the “**HK Tenancy Agreement**”) with Grand Kinetic Limited (“**Grand Kinetic**”) (a member of the Remaining Parentco Group) as landlord on 23 August 2013 with respect to the tenancy of the following property. The principal terms of the HK Tenancy Agreement are set out below:

Date	:	23 August 2013
Parties	:	(1) Grand Kinetic as landlord and owner of the HK Property (as defined below) (2) City Vision as tenant
Location of the property subject to the HK Tenancy Agreement	:	a portion of 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong with a total gross floor area of approximately 500 square feet (the “ HK Property ”)
Term	:	For the period of 36 months commencing from 11 September 2013
Monthly rental payable by the tenant	:	HK\$30,000 (inclusive of rates, government rent, management fees, air-conditioning, electricity charges and other utilities charges which shall be borne by the landlord)
		CBRE, an independent property valuer, has reviewed the terms of the HK Tenancy Agreement and is of the opinion that the rent payable by City Vision under the HK Tenancy Agreement is fair and reasonable and consistent with prevailing market rates for similar serviced office at similar locations as at the date of the HK Tenancy Agreement.
Use	:	The HK Property shall only be used for office purpose by members of the Group.

Upon Listing, the HK Property will continue to be used by the Group as head office and principal place of business in Hong Kong. The Directors, after taking into account the view of the independent property valuer that the rent payable by City Vision under the HK Tenancy Agreement is fair and reasonable and consistent with prevailing market rates for similar serviced office at similar locations as at the date of the HK Tenancy Agreement, consider that entering into the HK Tenancy Agreement could provide the Group with an established head office and principal place of business in Hong Kong without the need to acquire the relevant property and incurring additional capital expenditure and cost of removal and renovation.

CONTINUING CONNECTED TRANSACTIONS

As the Group is part of the Parentco Group prior to completion of the Spin-off, no formal arrangement for the above tenancy between the Group and the Remaining Parentco Group had been formalised and put in place during the Track Record Period. As such, no historical figures for this transaction for the Track Record Period are available.

Though both the HK Tenancy Agreement and the PRC Tenancy Agreement as mentioned below were entered into between the Remaining Parentco Group and the Group within a 12-month period, they have not been aggregated for the purpose of classification of connected transactions under Rule 14A.25 of the Listing Rules as the two tenancy agreements were entered into on separate dates and negotiated separately with reference to the then prevailing rental rates for similar properties, and were on separate commercial terms and not inter-dependent on each other, and each of them involves a different tenancy location far away from the other, one in Hong Kong and the other in Shanghai.

Given that the annual rental payable by the Group under the HK Tenancy Agreement is HK\$360,000 which is less than HK\$1 million and the highest of the applicable percentage ratios for such annual rental under the Listing Rules is less than 5% on an annual basis, the transaction contemplated under the HK Tenancy Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules on the basis that it falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

(4) PRC Tenancy Agreement

The Remaining Parentco Group's 65% owned Shanghai Ongoing Department Store Limited ("**Shanghai Ongoing**") is currently leasing the entire building of Shanghai Joinbuy CityPlaza ("**Joinbuy CityPlaza**") situated at Shanghai Joinbuy CityPlaza, 1618 Nanjing Xi Road, Shanghai, the PRC from the Remaining Parentco Group's 50% owned company named "上海九百城市廣場有限公司". As at the Latest Practicable Date, the two minority shareholders holding the remaining 35% shareholding in Shanghai Ongoing are also holding the remaining 50% shareholding in "上海九百城市廣場有限公司".

Lichen Company (a wholly owned subsidiary of the Company) as tenant entered into a sub-tenancy agreement (the "**PRC Tenancy Agreement**") with Shanghai Ongoing, a member of the Remaining Parentco Group, on 10 October 2012 for subleasing a certain portion of the Joinbuy CityPlaza from Shanghai Ongoing as its Shanghai office in the PRC. The principal terms of the PRC Tenancy Agreement are set out below:

Date	:	10 October 2012
Parties	:	(1) Shanghai Ongoing as tenant of the PRC Property (as defined below) (2) Lichen Company as sub-tenant of the PRC Property
Location of the property subject to the PRC Tenancy Agreement	:	Room 910 on the 9th floor of Joinbuy CityPlaza with a total gross floor area of approximately 120 square metres (the " PRC Property ")

CONTINUING CONNECTED TRANSACTIONS

- Term** : From the date of Lichen Company having obtained its business license (i.e. 18 December 2012) to 31 August 2015
- Monthly rental payable by the tenant** : RMB25,200 (inclusive of management fees, water, electricity and air-conditioning charges in respect of the PRC Property which shall be borne by Shanghai Ongoing)
- CBRE, an independent property valuer, has reviewed the terms of the PRC Tenancy Agreement and is of the opinion that the rent payable by Lichen Company under the PRC Tenancy Agreement is fair and reasonable and consistent with prevailing market rates for similar serviced office at similar locations as at the date of the PRC Tenancy Agreement.
- Use** : The PRC Property shall be used for office purpose by Lichen Company.

Upon Listing, the PRC Property will continue to be used by the Group as its Shanghai office in the PRC. The Directors, after taking into account the view of the independent property valuer that the rent payable by Lichen Company under the PRC Tenancy Agreement is fair and reasonable and consistent with prevailing market rates for similar serviced office at similar locations as at the date of the PRC Tenancy Agreement, consider that entering into the PRC Tenancy Agreement could provide the Group with an established operation base in Shanghai without the need to acquire the relevant property and incurring additional capital expenditure and cost of removal and renovation.

As the term of the above tenancy only commenced from 18 December 2012 and there was no formal arrangement for this tenancy between the Group and the Remaining Parentco Group put in place before, the historical figure for this transaction for the Track Record Period therefore only relates to the period from 18 December 2012 to the end of June 2013, and was approximately RMB11,000 (equivalent to approximately HK\$14,000) for December 2012 and RMB151,000 (equivalent to approximately HK\$190,000) for the six months ended 30 June 2013.

As explained above, the PRC Tenancy Agreement has not been aggregated with the HK Tenancy Agreement for the purpose of classification of connected transactions under Rule 14A.25 of the Listing Rules. Given that the annual rental payable by the Group under the PRC Tenancy Agreement is RMB302,400 (equivalent to approximately HK\$380,000) which is less than HK\$1 million and the highest of the applicable percentage ratios for such annual rental under the Listing Rules is less than 5% on an annual basis, the transaction contemplated under the PRC Tenancy Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules on the basis that it falls within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Distribution and the Share Offer, without taking into account the Shares which may fall to be issued upon the exercise of the Over-allotment Option, the following persons will have an interest or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Number of Shares	Approximate percentage of shareholding	
			%	Note
Parentco	Beneficial owner	249,611,200	60.03	
Real Reward	Beneficial owner	42,500,000	10.22	
	Interest of controlled corporation	249,611,200	60.03	1
United Goal Resources	Beneficial owner	5,750,000	1.38	
	Interest of controlled corporation	292,111,200	70.25	2
Asia Prime Assets Limited (“Asia Prime”)	Interest of controlled corporation	297,861,200	71.64	2
Go Create	Beneficial owner	5,750,000	1.38	
	Interest of controlled corporation	292,111,200	70.25	3
Chow Tai Fook	Interest of controlled corporation	297,861,200	71.64	3
Chow Tai Fook (Holding) Limited	Interest of controlled corporation	297,861,200	71.64	3
Chow Tai Fook Capital Limited	Interest of controlled corporation	297,861,200	71.64	3
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation	297,861,200	71.64	3
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation	297,861,200	71.64	3

SUBSTANTIAL SHAREHOLDERS

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	Note
Mr. Thomas Lau	Interest of controlled corporations	297,861,200	71.64	4
	Interest of controlled corporations	3,852,175	0.93	5
	Beneficial owner	3,262,500	0.78	

Notes:

1. These 249,611,200 Shares are held by Parentco which is owned as to 51.46% by Real Reward, which is in turn jointly owned by United Goal Resources and Go Create in equal shares. By virtue of the SFO, Real Reward is deemed to be interested in the same parcel of Shares held by the Parentco.
2. United Goal Resources, which has 50% interest in Real Reward, is ultimately owned by Mr. Thomas Lau and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries. Asia Prime, a company wholly owned by Mr. Thomas Lau, holds more than one-third of the entire issued share capital of United Goal Resources. By virtue of the SFO, (i) Asia Prime and United Goal Resources are deemed to be interested in the same parcel of Shares comprising the 42,500,000 Shares and 249,611,200 Shares in which Real Reward is or is deemed to be interested as mentioned in the above table and (ii) Asia Prime is deemed to be interested in the same parcel of Shares comprising the 5,750,000 Shares in which United Goal Resources is interested as beneficial owner as mentioned in the above table.
3. Go Create, which has 50% interest in Real Reward, is wholly owned by Chow Tai Fook. Chow Tai Fook is wholly owned by Chow Tai Fook (Holding) Limited, which is held as to 78.58% by Chow Tai Fook Capital Limited, which is in turn held as to 48.98% by Cheng Yu Tung Family (Holdings) Limited and as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited. By virtue of the SFO, (i) Go Create, Chow Tai Fook, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the same parcel of Shares comprising the 42,500,000 Shares and 249,611,200 Shares in which Real Reward is or is deemed to be interested as mentioned in the above table and (ii) Chow Tai Fook, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the same parcel of Shares comprising the 5,750,000 Shares in which Go Create is interested as beneficial owner as mentioned in the above table.
4. Of these Shares, 249,611,200 Shares are held by Parentco, 42,500,000 Shares are held by Real Reward and 5,750,000 Shares are held by United Goal Resources. Parentco is owned as to 51.46% by Real Reward, which is jointly owned by United Goal Resources and Go Create in equal shares. United Goal Resources, a company incorporated in the BVI, is ultimately owned by Mr. Thomas Lau through Asia Prime and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries. By virtue of the SFO, Mr. Thomas Lau, through Asia Prime, is deemed to be interested in the same parcel of Shares in which Parentco, Real Reward and United Goal Resources are interested.
5. These Shares are held by Dynamic Castle, which is wholly-owned by Mr. Thomas Lau. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in the same parcel of Shares in which Dynamic Castle is interested.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, the Directors are not aware of any other person who will, immediately following completion of the Distribution and the Share Offer, but without taking into account the Shares which may fall to be issued upon the exercise of the Over-allotment Option, have an interest or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Share Offer has become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Over-allotment Option, and of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below.

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>200,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
332,200,000 Shares in issue	33,220,000
<u>83,600,000</u> Shares to be issued under the Share Offer (Note)	<u>8,360,000</u>
<i>Total:</i>	
<u>415,800,000</u> Shares	<u>41,580,000</u>

Note: The share capital of the Company will be enlarged by up to an additional 12,540,000 Shares in the event that the Over-allotment Option is exercised in full.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfillment or waiver (as applicable) of the conditions set out in the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and conditions of the Share Offer" in this prospectus, the Directors have been granted a general mandate to exercise all the powers of the Company to allot, issue and deal with (otherwise than pursuant to, or in consequence of, the Share Offer, the exercise of the Over-allotment Option, the exercise of any options which may be granted under any share option scheme of the Company adopted in compliance with the relevant requirements of the Listing Rules, or by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meetings or any issue of Shares upon exercise of rights of subscription or conversion attaching to any existing warrants or securities issued by the Company which are convertible into Shares) Shares with a total nominal value not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

SHARE CAPITAL

The issue mandate will be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the issue mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the repurchase mandate (as referred to below).

This issue mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- at the expiration of the period within which the Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed "Written resolutions of the sole Shareholder on 26 August 2013" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfillment or waiver (as applicable) of the conditions set out in the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and conditions of the Share Offer" in this prospectus, the Directors have been granted a general mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not exceeding 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchanges).

This repurchase mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- at the expiration of the period within which the Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed "Written resolutions of the sole Shareholder on 26 August 2013" in Appendix VI to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with the audited combined financial statements of the Group and the notes thereto as of and for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. The Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk factors" section.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

The Group is principally engaged in property development and property investment with the main objective of generating return through capital appreciation, including subsequent disposal of the properties concerned. The Group endeavours to enhance its income and the capital value of its properties through a range of different approaches after assessing the conditions of such properties at acquisition. Generally, the Group will continue to develop those properties which are under development and will renovate those completed properties to enhance their capital value further. In addition, the Group will lease the properties out when a reasonable rental income can be generated from such properties. The business model of the Group is not only buying and holding properties for rental income and/or short term capital gain, but also carrying out value-added work or activities to enhance further the capital value of the properties before they are leased out or sold. In order to maximise the return on the properties, either in the form of capital appreciation or increased rental, management of the Company has been making active efforts throughout the Track Record Period to carry out value-added work on the properties (including construction, redesign and renovation) and making appropriate and timely decisions for disposing of or leasing out the properties. As the Group's main objective is to achieve capital appreciation, the Group may sell its properties at various levels or stages of development, should opportunities arise. The management of the Group is of the view that, under present business and operating conditions, the Group is inclined to seek maximum return through capital gains, rather than recurring income in the form of rental. Since 2007, the Group has acquired interests in properties in the PRC and Hong Kong, including Yifu Land, Tianjin Property, Harbin Property, Qingdao Property, Sun Plaza and certain workshops and car parking spaces in Hong Kong. The PRC properties of the Group are located in prime locations of major cities in the PRC, which generally benefit from the policies of the PRC government for accelerating the pace of economic development of these regions.

FINANCIAL INFORMATION

For the three years ended 31 December 2012 and the six months ended 30 June 2013, the rental income of the Group (generated from Tianjin Property before it was disposed of by the Group in April 2013) was approximately HK\$1.4 million, HK\$15.0 million, HK\$20.8 million and HK\$4.5 million respectively. During the same period, the Group recorded a net profit of approximately HK\$20.2 million, HK\$148.2 million, HK\$94.2 million and HK\$78.5 million respectively, which was mainly attributable to fair value changes on investment properties, realised gain on disposal of investment property holding subsidiaries and/or foreign exchange gain. Although the Group ceased to record any rental income after the disposal of Tianjin Property Company, such rental income was not the core profit driver of the Group during the Track Record Period. During the Track Record Period, contribution to the profits of the Group from capital appreciation, both realised and unrealised, was much higher than that from rental income. Consistent with the business model of the Group, the profitability of the Group is currently based on capital appreciation to a larger extent and recurring rental income to a lesser extent.

FINANCIAL INFORMATION

Assuming the net exchange gain/(loss), fair value changes, realised gain on disposal of investment properties and investment property holding subsidiaries and corresponding taxation charges were excluded, the Group would have recorded a loss attributable to owners of the Company of approximately HK\$26.1 million, HK\$19.2 million, HK\$17.0 million and HK\$4.2 million respectively for the respective years/period during the Track Record Period and the calculation is set out as follows:

	For the year			For the six months	
	ended 31 December			ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit/(loss) for the year/period attributable to owners of the Company	20,207	148,169	94,191	(13,270)	78,495
Less:					
Net exchange (gain)/loss	(52,805)	(48,831)	(8,304)	10,647	(22,225)
In respect of investment properties:					
— realised gain on disposals of investment properties	(1,128)	(1,564)	(1,498)	(339)	—
— realised gain on disposal of an investment property holding subsidiary	—	(225,262)	—	—	(56,916)
— unrealised fair value change	(62,026)	(94,417)	(182,922)	(4,365)	(6,297)
Fair value changes on financial assets at fair value through profit or loss	—	(750)	6,003	(4,008)	737
Add:					
Taxation	<u>69,604</u>	<u>203,425</u>	<u>75,569</u>	<u>6,790</u>	<u>2,051</u>
Adjusted loss for the year/period attributable to owners of the Company by assuming the EXCLUSION of net exchange (gain)/loss, fair value changes, realised gain on disposal of investment properties and an investment property holding subsidiary and adjusting corresponding taxation charges	<u>(26,148)</u>	<u>(19,230)</u>	<u>(16,961)</u>	<u>(4,545)</u>	<u>(4,155)</u>

As at 31 July 2013, the net aggregate amount owing by the Group to the Remaining Parentco Group amounted to approximately HK\$1,025.7 million. As at the same date, the Group's net current liabilities amounted to about HK\$690.1 million. As part of the Reorganisation, the benefits of an aggregate amount of approximately HK\$1,025.7 million

FINANCIAL INFORMATION

payable to the Remaining Parentco Group were assigned to the Group in exchange for new Shares issued to Parentco. Immediately after the Reorganisation consummated on 26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. See also the section headed “Risk Factors — Risks relating to the Group’s Business — The Group had net current liabilities during the Track Record Period” of this prospectus for further details.

BASIS OF PREPARATION

Through the Reorganisation, the Company has become the holding company of the companies now comprising the Group. The companies now comprising the Group were under the common control of a controlling party, Parentco prior to and after the Reorganisation and therefore is regarded as a continuing entity.

The financial information of the Group has been prepared as if the Company had been the holding company of the companies comprising the Group throughout the Track Record Period.

The combined statements of profit or loss and other comprehensive income and the combined statements of cash flows which include the results and cash flows of the companies now comprising the Group have been prepared by applying the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation/establishment, where this is a shorter period. The combined statements of financial positions of the Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates (other than the disposal of Shenyang Jiajian as detailed in note 33 of the Accountants’ Report).

The functional currency of the Company and the entities comprising the Group is Renminbi while the financial information is presented in Hong Kong dollar, which the management of the Company considered is more beneficial for the users of the Financial Information as the Company proposes to list its shares on the Stock Exchange.

KEY FACTORS AFFECTING RESULTS OF OPERATIONS

The Group’s financial conditions and results of operation have been and will continue to be affected by a number of factors, including those discussed below.

Changes in fair value of investment properties

Property values are affected by, among other factors, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments in Hong Kong and the PRC, construction costs and the timing of the Group’s development of properties. The annual revaluation of the Group’s investment properties has resulted and may continue to result in significant fluctuations in the operating profit.

FINANCIAL INFORMATION

For additional information on revaluation of the Group's investment properties, see the sub-section headed "Critical Accounting Policies and Estimates — Investment Properties" and the sub-section headed "Selected Financial Position Items — Investment properties" below.

Rental Rates and Occupancy Trends

The Group's rental income depends principally on the rental rates and occupancy rates. Factors affecting the rental rates for tenancies include the supply of comparable premises and the overall demand in the market, the floor area occupied by individual tenants, the trade sectors in which tenants operate, general macroeconomic conditions (including inflation rates) and occupancy rates. In addition, occupancy rates largely depend on rental rates relative to those at competing properties, the supply of and demand for comparable properties and the ability to minimise the intervals between lease expiries (or terminations) and the entry into new leases. In addition, occupancy rates of a new property tend to be lower during the first few months after its opening or restructuring. The Group's ability to re-lease expiring space and the terms the Group achieve will have an impact on the results of operations.

Cost of borrowings

Property development is capital intensive. The Group finances the property projects primarily through a combination of internally generated funds, sales proceeds of the properties and borrowings from financial institutions. There can be no assurance that the Group will always have sufficient funds available, or available on favourable or acceptable terms, to fund the current and future property developments. The Group's ability to obtain adequate financing for land acquisition and property development depends on a number of factors that are beyond the Group's control, including credit market conditions and the PRC governmental policies. Poor credit market conditions, such as during the global financial crisis and economic downturn of 2008 and 2009, could limit the Group's ability to obtain bank loan facilities or raise funds through debt issuances and in extreme circumstances could lead banks to withdraw existing undrawn bank facilities in breach of bank facility agreements of the Group.

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

- (1) the loan by commercial banks to real estate development enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extend such loans as current capital loan for property development project or other loan item. 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 for Construction Works and Construction Permit for Construction Works;
- (2) commercial banks shall not grant loans to real estate development enterprise to pay off land premium.

FINANCIAL INFORMATION

In addition, the PRC government has in recent years introduced numerous policy initiatives in the property sector designed to stabilise and dampen any potential overheating of the real estate market. Among these measures are policy initiatives implemented by the PRC government to restrict bank lending to enterprises, particularly to property development enterprises. According to the Circular of the State Council on Saving Intensive-use Land (《國務院關於促進節約集約用地的通知》) which was 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. In addition, 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) is 30%. When providing credit support and services, financial institutions shall need to carry out independent assessment to prevent financial risks and conduct comprehensive assessment and evaluation on the source of the capital, returns on investment and credit risks with reference to the capital ratio requirements promulgated by the state and the actual status of the borrower and the project.

The PRC regulators have in recent years expressed concerns about excessive lending for real estate investment, and have accordingly taken certain measures to help stabilise the real estate market. The 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 was promulgated and enforced on 17 April 2010, provides that commercial banks shall strengthen the pre-issuance examination and post-issuance management for the loans issued or 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 advance 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 laws or regulations.

For details, please refer to the section headed “Property Financing” in Appendix IV “Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus and subparagraph headed “The Group requires substantial capital resources to develop its existing and additional projects, which may not be available” under the paragraph headed “Risks relating to the Group’s business” of the section headed “Risk factors” of this prospectus.

FINANCIAL INFORMATION

These policy initiatives have constrained the Group's flexibility and ability to apply for bank loans to finance the property projects. The Directors do not believe these restrictions have had a material impact on the Group's ability to obtain financing for the property projects. However, the Group cannot assure that the PRC government will not introduce other policies which may limit the Group's access to capital.

Taxation

The Group, which is principally engaged in the business of property development and property investment, is subject to tax charges including Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT"), and deferred tax in respect of the Group's operations in the PRC during the Track Record Period. For details of such taxes, please refer to Appendix IV "Summary of Principal PRC Legal and Regulatory Provisions" to this prospectus.

The property market and economic and political environment in the PRC, in particular in the North Eastern region of the PRC, including Tianjin, Qingdao, Shenyang and Harbin

Substantially all of the Group's property projects are located in the PRC, in particular in the North Eastern region including Tianjin, Qingdao, Shenyang and Harbin. Accordingly, the Group's business is dependent upon the performance of the property market in the PRC, in particular in the North Eastern region. The Group's business may be affected by any adverse changes in the economic, social and political conditions in the PRC, in particular in the North Eastern region of the PRC. The Group's financial condition, operation results and profitability could also be affected by any adverse changes in the supply of, or the demand for, properties and the property prices in the PRC, in particular in the North Eastern region. If the Group fails to respond to changes in the market conditions or customer preferences in a timely manner, performance would be materially and adversely affected.

The property market of the PRC is easily affected by the policies of the PRC government. Market demand for properties in the PRC has been affected and will continue to be affected by the macro-economic austerity measures of the PRC government from time to time. The results of the Group's operations have been and will continue to be affected by the macroeconomic environment and government policies in the PRC. For details of the PRC laws, rules and regulations applicable to the Group, please refer to the "Summary of principal PRC legal and regulatory provisions" as set out in Appendix IV to this prospectus. These measures may limit the Group's access to capital resources, reduce market demand for the Group's properties as well as increase the operating costs in complying with such measures.

Introduction of changes to planning control or restrictions may also affect the Group's business and property projects. In the case of Yifu Land, it was the Group's understanding that Yifu Land was subject to a 30-metre height limit during the process the contract for the grant of land use right dated 28 December 2011 was concluded. During the preliminary communication with competent local governmental authorities for the preparation for application of the Planning Permit for Construction Land (建設用地規劃許可證) in August 2012, the Group learnt from a planning drawing of Yifu Land made available by the Shenyang Planning and Design Institution that the development of the Yifu Land may be subject to a 15-metre height limit (instead of a 30-metre height limit which the Group understood during its acquisition of the Yifu Land). The Group received a letter dated 19 April 2013 from Shenhe District Government indicating that the

FINANCIAL INFORMATION

planning standard shall remain the same as that applicable at the time of grant of Yifu Land, i.e. at a height not exceeding 30 metres. The Group further received a letter from Construction Management Office (建設工程管理處) of Shenyang Planning & Land Bureau dated 8 May 2013 confirming that the planning design scheme of Haiyanli-1 commercial project (海堰里地區-1地塊商業項目) (i.e. the development project on Yifu Land) with a construction height of 29.9 metres had been preliminarily agreed by Shenyang Planning & Land Bureau, and the Group is required to submit an alternative design scheme prepared per comments given by the expert team (as organised by the said bureau) on the construction style, after which Shenyang Planning & Land Bureau may consider granting further approval in accordance with municipal government's review opinion. In late July 2013, the Group submitted the alternative design scheme to Shenyang Planning & Land Bureau for review. A meeting with the expert team (organised by the said Bureau) was held on 8 August 2013 to discuss about such alternative design scheme. During the meeting, the expert team and representatives of the Shenhe District Government and the Shenyang Planning & Land Bureau, after listening to the Group's presentation, all indicated that they considered such alternative design to be generally acceptable with no further comments. Shenyang Planning & Land Bureau indicated that they would complete the approval procedures as soon as possible. As at the Latest Practicable Date, the Group has not yet received the final approval on the planning design scheme. These uncertainties and any outcome which is unfavourable to the Group may adversely affect the valuation of Yifu Land, and also the original development plan for Yifu Land.

Availability of suitable land for property development

As a property development company, the capability to identify and acquire suitable land for property development is crucial to the Group's business. Various factors may affect the suitability of the land for property development, including but not limited to, the accessibility, the availability of infrastructure, transport network and other ancillary facilities, competition from other similar property developments in the nearby area etc. Such factors could affect the property value of the Group. The Group's business, financial condition and results of operations may be adversely affected if the Group is unable to acquire suitable land for property development at prices that allow the Group to achieve reasonable returns upon the sale of the Group's developed properties.

The PRC government controls the supply of all new land in the PRC and regulates the sales of land use right in the secondary market. The PRC government also controls the land supply through zoning, land usage regulations and other means. For example, the Ministry of Land and Resources issued the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (國土資源部關於加強房地產用地供應和監管有關問題的通知) on 8 March 2010. The circular requires real estate development enterprises to make a 50% down-payment of the land premiums within one month from the date of the land grant contract, and to make the rest of the payment within a year. Where a real estate development enterprise enters into a land grant contract but fails to pay land premiums, the relevant land shall be confiscated. Accordingly, the policies of the PRC government towards land supply may adversely affect the Group's ability to acquire suitable land and could increase the Group's land acquisition cost.

FINANCIAL INFORMATION

Further, according to the Urban Real Estate Management Law of the PRC (中華人民共和國城市房地產管理法) implemented on 1 January 1995 and amended on 30 August 2007 and the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007, land to be used for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development shall be granted by the government only by means of competitive bidding, public auction or listing-for-sale. Accordingly, in acquiring new land for development, the Group may be subject to competition from other property developers, which may become more difficult and require additional costs for the Group to acquire new land.

Material cost and wages for construction workers

As a result of the economic growth and the property boom in the PRC, wages for construction workers and the prices of construction materials (including but not limited to cement and steel) have experienced substantial increases in recent years. In particular, the PRC Labour Contract Law that came into effect on 1 January 2008 has significantly enhanced the protection for employees and increased employers' liability in many circumstances, which may further increase the Group's labour costs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those that require management to exercise judgment and make estimates that yield materially different results if management were to apply different assumptions or make different estimates. The critical accounting policies the Group has adopted are described below.

When reviewing the Group's combined financial information, it should be considered (i) the Group's selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The Group believes the following accounting policies involve the most significant judgment and estimates used in the preparation of the Group's combined financial information.

Revenue recognition

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

Revenue is recognised when the goods and services are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

FINANCIAL INFORMATION

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for 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.

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 disposal. 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 the profit or loss in the period in which the item is derecognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current

FINANCIAL INFORMATION

asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale other than investment properties are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

FINANCIAL INFORMATION

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. 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 combined statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit (loss) before taxation as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

FINANCIAL INFORMATION

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are 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 are also recognised in other comprehensive income or directly in equity respectively.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table summarises the Group's combined results of operations during the Track Record Period, which has been extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Turnover	1,424	14,950	20,809	8,664	4,490
Operating expenses	(14,192)	(24,753)	(20,317)	(10,445)	(7,374)
Other income, gains and losses	53,476	59,218	18,959	(5,347)	28,771
Staff costs	(9,059)	(12,761)	(10,308)	(5,480)	(3,129)
Depreciation and amortisation	(2,825)	(3,021)	(3,495)	(1,744)	(975)
Investment properties					
— realised gain on disposals of investment properties	1,128	1,564	1,498	339	—
— realised gain on disposals of investment property holding subsidiaries	—	225,262	—	—	56,916
— unrealised fair value change	62,026	94,417	182,922	4,365	6,297
Fair value changes on financial assets at fair value through profit or loss	—	750	(6,003)	4,008	(737)
Other expenses	—	—	(12,594)	—	(3,304)
Finance costs	(2,167)	(4,032)	(1,711)	(840)	(409)
	<u>89,811</u>	<u>351,594</u>	<u>169,760</u>	<u>(6,480)</u>	<u>80,546</u>
Profit/(loss) before taxation					
Taxation	(69,604)	(203,425)	(75,569)	(6,790)	(2,051)
	<u>20,207</u>	<u>148,169</u>	<u>94,191</u>	<u>(13,270)</u>	<u>78,495</u>
Profit/(loss) for the year/period attributable to owners of the Company					
Other comprehensive income (expense) attributable to owners of the Company:					
Items that will not be reclassified to profit or loss:					
Exchange differences arising on translation of function currency to presentation currency	19,972	30,950	11,650	(6,985)	2,865
	<u>40,179</u>	<u>179,119</u>	<u>105,841</u>	<u>(20,255)</u>	<u>81,360</u>
Total comprehensive income (expense) for the year/period attributable to owners of the Company					

FINANCIAL INFORMATION

PRINCIPAL INCOME STATEMENT ITEMS

Turnover

During the Track Record Period, the Group's turnover were the rental income received from Tianjin Property. Rental income is recognised in profit or loss on a straight line basis over the term of the relevant lease and after assessing the recoverability of rental receivable. The table below sets forth the Group's turnover during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Rental income	<u>1,424</u>	<u>14,950</u>	<u>20,809</u>	<u>8,664</u>	<u>4,490</u>

Tianjin Property commenced its operation in December 2010, and therefore the rental income is relatively low in 2010 comparing to that of 2011 which recorded rental income for the whole year.

The increase in the rental income in 2012 compared to 2011 was mainly due to that Tianjin Property was at its initial stage of operation in 2011.

The decrease in the rental income for the first half of 2013 comparing to the same period in 2012 was mainly due to the disposal of Tianjin Property Company in April 2013 after which the Group ceased to generate any rental income.

Operating expenses

During the Track Record Period, operating expenses mainly comprised building operating expenses, utilities and legal and professional fee. The table below sets forth the breakdown of the Group's operating expenses during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Building operating expenses	7,591	6,447	5,513	2,383	1,846
Utilities expenses	145	6,162	6,378	2,813	2,478
Legal and professional fee	2,811	1,841	477	133	490
Office expenses	350	501	376	187	72
Travelling expenses	349	906	207	119	172
Other expenses	<u>2,946</u>	<u>8,896</u>	<u>7,366</u>	<u>4,810</u>	<u>2,316</u>
	<u>14,192</u>	<u>24,753</u>	<u>20,317</u>	<u>10,445</u>	<u>7,374</u>

FINANCIAL INFORMATION

The increase from 2010 to 2011 was mainly attributable to increase in full-year utilities expenses following the opening of Tianjin Property in December 2010 and increase in other expenses (mainly included property tax and business tax expenses) in 2011.

The decrease in operating expenses in 2012 compared to 2011 was mainly due to the Group's disposal of 90% of equity interest in Shenyang Jiajian (which owns Sun Plaza) and the Group ceased to record any operating expenses after the disposal.

The decrease in operating expenses in first half of 2013 comparing to the same period in 2012 was mainly due to the disposal of Tianjin Property Company in April 2013.

Other income, gains and losses

During the Track Record Period, the Group's other income, gains and losses mainly comprised interest income on bank deposits, net exchange gain/(loss), management fee income, loss on disposal of property, plant and equipment and other income. The table below sets forth the breakdown of the Group's other income, gains and losses during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Interest income on bank deposits	361	1,770	336	11	455
Imputed interest income	—	—	—	—	3,244
Net exchange gain/(loss)	52,805	48,831	8,304	(10,647)	22,225
Management fee income	561	5,926	6,189	3,316	966
Loss on disposal of property, plant and equipment	(548)	(147)	(1,067)	—	—
Other income	297	2,838	5,197	1,973	1,881
	<u>53,476</u>	<u>59,218</u>	<u>18,959</u>	<u>(5,347)</u>	<u>28,771</u>

The Group's "other income, gains and losses" in 2010 and 2011 were about the same, but there was a decrease from approximately HK\$59.2 million in 2011 to approximately HK\$19.0 million in 2012, which was mainly due to the decrease of net exchange gain as the appreciation of RMB in 2012 was at a slower pace comparing to that of 2011. The increase in other income from approximately HK\$2.8 million in 2011 to approximately HK\$5.2 million in 2012 was mainly due to the increase in the utilities charges (including water and electricity) against the tenants of Tianjin Property.

The turnaround from net exchange loss of approximately HK\$10.6 million for the first half of 2012 to net exchange gain of approximately HK\$22.2 million for the same period of 2013 was due to increase in net exchange gain arising mainly from increase in RMB cash balance and the amounts due to fellow subsidiaries (i.e. members of the Remaining Parentco Group), which were denominated in Hong Kong dollars, as RMB appreciated in the first half of 2013 while

FINANCIAL INFORMATION

depreciated in the first half of 2012. The increase was also attributable to the imputed interest income recorded in the first half of 2013 only resulting from the consideration receivable for the disposal of the Tianjin Property Company, which is to be received in January 2014.

Staff costs

During the Track Record Period, the Group's staff costs comprised Directors' remuneration, other staff cost, share-based payments and retirement benefits scheme contributions. The table below sets forth the breakdown of the Group's staff costs:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Directors' remuneration:					
Fees	5	5	10	5	5
Other emoluments	799	586	851	492	311
Bonus	701	1,912	1,030	—	—
Share-based payments	540	23	1	1	—
Retirement benefits scheme contributions	<u>10</u>	<u>7</u>	<u>5</u>	<u>2</u>	<u>1</u>
	2,055	2,533	1,897	500	317
Other staff costs	6,223	9,427	7,782	4,647	2,566
Share-based payments	10	7	—	—	—
Retirement benefits scheme contributions	<u>771</u>	<u>794</u>	<u>629</u>	<u>333</u>	<u>246</u>
Total staff costs	<u><u>9,059</u></u>	<u><u>12,761</u></u>	<u><u>10,308</u></u>	<u><u>5,480</u></u>	<u><u>3,129</u></u>

The Group recognised an expense in the combined statements of profit or loss and other comprehensive income of approximately HK\$550,000, HK\$30,000, HK\$1,000 and nil for each of the three years ended 31 December 2012 and six months ended 30 June 2013 respectively in relation to share options granted by Parentco to the staff of the Group. These expenses were treated as deemed contribution from shareholders and credited to capital reserve.

Investment properties

Investment properties are measured at fair value whereby gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. The majority of investment properties are valued by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors or Royal Institution of Chartered Surveyors (where applicable) and are on an open market basis, related to individual properties, and separate

FINANCIAL INFORMATION

values are not attributed to land and buildings. Changes in fair value are recognised in the profit or loss. The annual revaluation of the investment properties has in the past resulted, and in the future may continue to result, in significant fluctuations in the operating profit of the Group.

The table below sets out the breakdown of the fair value changes on the Group's investment properties during the Track Record Period:

	For the year ended			For the six months	
	31 December			ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Tianjin Property					
— unrealised gain/(loss)	1,818	(52,014)	167,207	459	—
— realised gain	—	—	—	—	56,916
Harbin Property					
— unrealised gain	6,115	107,463	6,034	842	367
Qingdao Property					
— unrealised gain	5,405	26,210	4,782	214	1,130
Sun Plaza — unrealised gain	41,997	—	—	—	—
— realised gain	—	225,262 ^(Note)	—	—	—
Certain workshops and car parking spaces in Hong Kong					
— realised gain	1,128	1,564	1,498	339	—
— unrealised gain	<u>6,691</u>	<u>12,758</u>	<u>4,899</u>	<u>2,850</u>	<u>4,800</u>
Total fair value gain on investment properties	<u>63,154</u>	<u>321,243</u>	<u>184,420</u>	<u>4,704</u>	<u>63,213</u>
Profit/(loss) for the year/period attributable to owners of the Company	20,207	148,169	94,191	(13,270)	78,495
% of fair value gain (loss) to profit/(loss) for the year/period attributable to owners of the Company	312.5%	216.8%	195.8%	(35.4%)	80.5%

Note: The Group disposed of 90% equity interest in Shenyang Jiajian (which held Sun Plaza) in June 2011 and recorded a realised gain on disposal of interest in subsidiary of approximately HK\$225.3 million.

During the Track Record Period, the fair value gain on the Group's investment properties was approximately HK\$63.2 million, HK\$321.2 million, HK\$184.4 million and HK\$63.2 million. The increase in the fair value gain in 2011 comparing to that in 2010 was mainly due to the increase in fair value gain from Harbin Property and realised gain on the disposal of 90% equity interest in Shenyang Jiajian (which held Sun Plaza) in June 2011 despite the fair value loss attributable to Tianjin Property. The fair value gain decreased by approximately 42.6% from approximately HK\$321.2 million in 2011 to approximately HK\$184.4 million in 2012, which was

FINANCIAL INFORMATION

mainly due to the realised gain on disposal of 90% equity interest in Shenyang Jiajian in 2011 (while there was no similar realised gain in 2012) and the investment properties of the Group (other than Tianjin Property) did not have a significant fair value gain in 2012. The increase in the fair value gain in the first half of 2013 comparing to that in the same period of 2012 was mainly due to the realised gain on disposal of Tianjin Property Company (which held Tianjin Property) in April 2013.

Valuation methods

The valuation of the Group's investment properties as at 30 November 2011, 31 December 2012 and 30 June 2013 was prepared by CBRE. The directors of Parentco were given to understand from CBRE that there were no material changes between the fair values of the properties concerned as at 31 December 2011 and as at 30 November 2011. As a result, the directors of Parentco adopted such values in the valuation of the properties concerned as at 31 December 2011 and no separate report has been prepared. The valuations of the Group's properties in the PRC and Hong Kong as at 31 December 2010 were prepared by BDGH and Knight Frank respectively. BDGH and Knight Frank were engaged for valuing the Group's investment properties for the purpose of preparing the Parentco Group's audited financial statements for the year ended 31 December 2010, where CBRE, a property appraisal firm with extensive experience in initial public offering in Hong Kong of PRC property companies, was engaged to value the Group's investment properties in connection with the Listing exercise then under consideration.

The property valuers have adopted three valuation methodologies, namely the direct comparison approach, the income approach and the residual method, in valuing the investment properties. The valuation methodologies adopted depend on the nature and status of each property as at the valuation date. The different valuation methodologies adopted are in line with market practice as they are commonly used in valuing similar properties.

FINANCIAL INFORMATION

The valuation has been made on the assumption that the owner sells the properties concerned on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the properties. The property valuers have assumed that the owner of the property interest has enforceable title to the property interest, and has free and uninterrupted rights to use the property for the whole of the unexpired term. Furthermore, the property valuers have valued it on the assumption that it is freely disposable and transferable to third parties on the (open) market without paying any additional premium or other onerous payment. The valuation methods adopted for each of the Group's properties as at 31 December 2010, 30 November 2011, 31 December 2012 and 30 June 2013 is set out below:

Properties	Valuation method adopted			
	As at 31 December 2010	As at 30 November 2011	As at 31 December 2012	As at 30 June 2013
Tianjin Property (Note 1)	Income approach (direct capitalisation method)	Direct comparison approach and income approach (term & reversion method)	N/A	N/A
Harbin Property (Note 2)	Residual method	Direct comparison approach	Direct comparison approach	Direct comparison approach
Qingdao Property (Note 3)	Income approach (direct capitalisation method)	Direct comparison approach and income approach (direct capitalisation method)	Direct comparison approach and income approach (direct capitalisation method)	Direct comparison approach and income approach (direct capitalisation method)
Hong Kong Properties and other properties in Hong Kong then held by the Group (Note 4)	Direct comparison approach	Direct comparison approach	Direct comparison approach	Direct comparison approach
Sun Plaza	Residual method	N/A	N/A	N/A

Notes:

- For the Tianjin Property, direct capitalisation method was used by BDGH as the property was substantially vacant in 2010. As for the valuation as at 30 November 2011, CBRE adopted term & reversion method on top of direct comparison approach, as the Group leased out most of the lettable area of the property to tenants and rental income was then generated.
- For the Harbin Property, as it was under construction as at 31 December 2010, BDGH adopted the residual method, which is the property's value as if completed as at valuation date less the expected construction costs to complete and due allowances for developer's profit. Subsequently, construction of the property was

FINANCIAL INFORMATION

substantially completed when CBRE prepared its valuation report in 2011 and, therefore, CBRE has adopted direct capitalisation method in addition to the direct comparison approach when preparing the property valuation report, which took into account the property's ability to generate rental income.

3. For Qingdao Property, BDGH adopted direct capitalisation method while CBRE adopted direct capitalisation method on top of direct comparison approach.
4. For Hong Kong Properties and other properties in Hong Kong then held by the Group, direct comparison approach was adopted as sufficient relevant comparable properties were available.

(i) Direct comparison approach

Under the relevant valuation standards, the property valuer considers to adopt the direct comparison approach as appropriate depending on the availability of the comparable properties. Properties are valued on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise with the benefit of vacant possession. Where direct comparison approach is adopted, the property valuer has considered the prices realised or current asking prices of selected comparable properties of similar size, character and location, and analysed and weighed against the advantages and disadvantages of each property in arriving at a fair value.

(ii) Income approach

Under the relevant valuation standards, for the income approach, the property valuer has considered and adopted either the direct capitalisation method or term & reversion method as appropriate depending on the nature of the properties.

Under the direct capitalisation method, the capital value of a property is determined from its ability to generate rental income and is usually adopted when the property is substantially vacant. Capital value is derived by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate. Potential rental income of the property to be valued is determined with reference to the annual prevailing market rent.

Under the term & reversion method, the capital value of a property is determined from the value of its remaining tenancy and its value upon expiration of the tenancy. The value of its remaining tenancy is assessed based on its current rent and the remaining valid lease term. The value upon expiration of the tenancy is determined based on the prevailing market rent and the market yield rate. When deriving the market yield rate, the property valuer has considered the reversionary yield and term yield. Reversionary yield is calculated by dividing annual unit market rental income over unit market value of the comparable properties. As for term yield, it is derived from the yield generated from comparable properties and adjusted downward to reflect the increase in certainty of term income secured and to be received. The method is usually adopted when the property has leased out most of its lettable area to tenants.

FINANCIAL INFORMATION

Prevailing market rent is the average unit rental of the subject property (including all floors of the subject property). In general, the following major steps will be taken by property valuers to formulate the prevailing market rent used for valuation:

- (i) first, to obtain the then available market unit rents of comparable properties of similar size, character and location closest to the respective valuation dates;
- (ii) after having taken into account adjustment factors (including location, quality, age, size and building conditions) which they consider appropriate, to derive the average “daily (or monthly) unit rent” of a particular floor of the subject property (as disclosed in page I-44 to I-52 of the Accountants’ Report set forth in Appendix I to this prospectus); and
- (iii) by applying a “floor adjustment” (see note below) to the “daily (or monthly) unit rent” of a particular floor of the subject property, to derive the prevailing market rent.

Note: Floor adjustment is made to reflect the difference in values of the different floors within the subject property because of factors such as accessibility and human traffic flow of different floors.

CBRE, the independent property valuer, confirms that the “daily (or monthly) unit rent” and the prevailing market rent are not different assumptions, but are inputs applied in sequence in the same valuation model for deriving the valuation of the subject property.

Meanwhile, capitalisation rate and market yield rate are determined with reference to, inter alia, the achievable selling prices and rental income of comparable properties, etc. In general, capitalisation rate is usually applied when the property is substantially vacant. By the time when a property has leased out most of its lettable area to tenants and rental income is generated, market yield rate would usually be applied.

Other assumptions of the income approach as adopted by the property valuers for the investment properties during the Track Record Period are as follows:

As at 31 December 2010

	Prevailing market rent <i>(RMB/sq.m./day)</i>	Capitalisation rate <i>(%)</i>	Market yield rate <i>(%)</i>
Tianjin Property	4.8	11%	N/A ⁽³⁾
Harbin Property	7.9	12%	N/A ⁽³⁾
Qingdao Property	3.6	11%	N/A ⁽³⁾
Sun Plaza	4.5	11%	N/A ⁽³⁾
Hong Kong Properties and other properties in Hong Kong then held by the Group	N/A ⁽¹⁾	N/A ⁽²⁾	N/A ⁽³⁾

FINANCIAL INFORMATION

As at 30 November 2011

	Prevailing market rent <i>(RMB/sq.m./day)</i>	Capitalisation rate <i>(%)</i>	Market yield rate <i>(%)</i>
Tianjin Property	2.8	N/A ⁽²⁾	6.0–6.5% ⁽⁴⁾
Harbin Property	6.3	9%	N/A ⁽³⁾
Qingdao Property	3.0	8.5%	N/A ⁽³⁾
Hong Kong Properties and other properties in Hong Kong then held by the Group	N/A ⁽¹⁾	N/A ⁽²⁾	N/A ⁽³⁾

As at 31 December 2012

	Prevailing market rent <i>(RMB/sq.m./day)</i>	Capitalisation rate <i>(%)</i>	Market yield rate <i>(%)</i>
Harbin Property	6.8	9%	N/A ⁽³⁾
Qingdao Property	3.0	8.5%	N/A ⁽³⁾
Hong Kong Properties	N/A ⁽¹⁾	N/A ⁽²⁾	N/A ⁽³⁾

As at 30 June 2013

	Prevailing market rent <i>(RMB/sq.m./day)</i>	Capitalisation rate <i>(%)</i>	Market yield rate <i>(%)</i>
Harbin Property	7.0	9%	N/A ⁽³⁾
Qingdao Property	3.1	8.5%	N/A ⁽³⁾
Hong Kong Properties	N/A ⁽¹⁾	N/A ⁽²⁾	N/A ⁽³⁾

Notes:

1. No income approach is adopted for this property, thus prevailing market rental is not applicable.
2. No direct capitalisation method is adopted for this property, thus capitalisation rate is not applicable.
3. No term & reversion method is adopted for this property, thus market yield rate is not applicable.
4. Given that Tianjin Property only commenced its operation in December 2010, rental income was mostly generated starting from 2011. As such, the property valuer has applied the market yield rate in 2011. For Tianjin Property, 6.0% represents the term yield while 6.5% represents the reversionary yield.

The prevailing market rents in respect of Tianjin Property, Harbin Property and Qingdao Property as at 30 November 2011 were generally lower than that as at 31 December 2010. This was mainly the result of the change in the prevailing market rent as at 31 December 2010 and 30 November 2011 which is mainly attributable to the different

FINANCIAL INFORMATION

parameters adopted by BDGH and CBRE in (i) rental prices applied for the reference level of each property as base reference (“**Reference Rental Price**”); and (ii) the level adjustments applied for each of the other levels (“**Level Adjustment**”). Both BDGH and CBRE had applied its own Reference Rental Price for the reference level of each property when valuing each property. As for the other levels, they applied different Level Adjustment factors to the Reference Rental Price of the level at a decreasing rate to derive the rental price for that particular level (i.e. the higher the level, the steeper the discount to the adjustment factor, thus the lower the rental price for the level). Given that the Reference Rental Price adopted for the reference level of each property serves as the basis for level adjustments for all upper or underground levels, the difference in value is magnified as additional adjustments are made to each level, resulting in the fluctuation in the prevailing market rent of the property for each year.

The capitalisation rates in respect of Harbin Property and Qingdao Property as at 30 November 2011 were generally lower than that as at 31 December 2010. When deriving the capitalisation rates for the Group’s properties, from CBRE’s perspective, the capitalisation rates are derived from the achievable selling prices and rental income of comparable properties obtained from market and the associated market risk should have already been factored into the achievable selling prices and rental income of comparable properties. From BDGH’s perspective, market risk was not accounted for in the market selling prices and rental prices of comparable properties. As a result, BDGH has added a risk yield factor to the weighted average rate to arrive at an overall capitalisation rate to reflect the market risk. For instance, BDGH added a 3% risk yield to the weighted average rate of 9% to arrive at an overall capitalisation rate of 12% for the Harbin Property as at 31 December 2010, while CBRE adopted a capitalisation rate of 9% as at 30 November 2011 and 31 December 2012. For Tianjin Property, direct capitalisation method was adopted by BDGH as the property was substantially vacant as at 31 December 2010. Given that most of its lettable area were leased out and that rental income were generated as at 30 November 2011, CBRE has adopted the term and reversion method on top of the direct comparison method, and hence market yield rate was adopted instead of capitalisation rate for 30 November 2011.

Despite the prevailing market rent and capitalisation rate in respect of Harbin Property and Qingdao Property as at 30 November 2011 were lower than that as at 31 December 2010, the fair value of such properties recorded an increase as at 30 November 2011. The increase in fair value of the Harbin Property is a result of the change in construction stage of the property. As at 31 December 2010, the Harbin Property was under construction, thus BDGH has adopted the residual method, which is the property’s value as if completed as at valuation date, less the expected construction costs to complete and due allowances for developer’s profit. While as at 30 November 2011, the construction of the property was substantially completed; therefore, CBRE has adopted direct capitalisation method on top of direct comparison approach, which takes into account the property’s ability to generate rental income. In general, the capital value of a property is a figure derived from the prevailing market rent divided by the capitalisation rate. The higher the prevailing market rent or the lower the capitalisation rate, the higher the capital value. For Qingdao Property, despite a drop in the prevailing market rent and capitalisation rate derived by the two valuers, the capitalisation rate is more sensitive to change in market rent. The effect of a

FINANCIAL INFORMATION

decrease in capitalisation rate from 11.0% to 8.5% has outweighed the effect of a decrease in market rent from RMB3.6/sq.m./day to RMB3.0/sq.m./day, resulting a fair value gain for the Qingdao Property. As a result, the fair value of the Qingdao Property is higher as at 30 November 2011 as compared to 31 December 2010. Similarly, despite a decrease in both the prevailing market rent and capitalisation rate for Harbin Property, the effect of a decrease in capitalisation rate from 12.0% to 9% has outweighed the effect of a decrease in market rent from RMB7.9/sq.m./day to RMB6.3/sq.m./day. As a result, the fair value of the Harbin Property is higher as at 30 November 2011 as compared to 31 December 2010.

Qingdao Property recorded an unrealised fair value gain of HK\$4.8 million for the financial year ended 31 December 2012 despite the fact that the prevailing market rent and capitalisation rate for that year remained unchanged when compared to those for the financial year ended 30 November 2011. When valuing the Qingdao Property, CBRE considered two different valuation methods (i) direct comparison approach; and (ii) direct capitalisation method, in which case, the value of the Qingdao Property was derived by taking the weighted average of the two different methods. Direct comparison approach focuses on the price realised or current asking prices of comparable properties while direct capitalisation method focuses on the property's ability to generate rental income. As at 31 December 2012, the property value derived under the direct capitalisation method is similar to that of 30 November 2011; while the value derived under the direct comparison approach increased because of the higher value recorded for its comparable properties, which therefore resulted in an overall increase in value for the Qingdao Property.

The reason why both the direct capitalisation method and the direct comparison method were adopted is to counter-check and justify the resulting value and to ensure the values under both methods are not materially different. In this case, the difference between the two methods is less than 5%, which is considered immaterial.

(iii) Residual method

Under the relevant valuation standards, for the residual method, fair value of investment properties under construction is determined with reference to comparable sales evidence as available on the market less the expected construction cost estimated to complete and due allowances for developer's profit with the assumption that the property would have been completed in accordance with similar class commercial development in the region.

The property valuers have confirmed that the above key assumptions adopted by the property valuers are in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and/or Royal Institution of Chartered Surveyors. After reviewing the assumptions adopted by the property valuers, the Company and Directors consider the assumptions are made on a reasonable basis. Having considered the above and also after reviewing the assumptions adopted by the property valuers, the Joint Sponsors concur with the views of the Company, its Directors and the property valuers that the above key assumptions adopted are reasonable.

FINANCIAL INFORMATION

The Group has endeavoured to rectify the non-compliance issues in connection with its investment properties. CBRE is of the view that these non-compliance issues are defects not relating to the Group's investment properties themselves. As such, CBRE did not take into account the Group's non-compliance incidents and the rectification costs involved in preparing the property valuation and hence the non-compliance incidents would not affect the property valuation of the Group's properties.

The following table illustrates the sensitivity of the net profit attributable to the Group's equity owners to levels of revaluation increase/decrease on investment properties for the three years ended 31 December 2012 and the six months ended 30 June 2013:

% change in fair value of investment properties	-15%	-10%	-5%	5%	10%	15%
For the six months ended 30 June 2013						
Impact on net profit to the Group's equity owners for the six months ended 30 June 2013 (HK\$ in million)	(54.1)	(34.8)	(17.0)	17.0	34.1	51.1
% of total net profit to the Group's equity owners	-68.9%	-44.3%	-21.7%	21.7%	43.4%	65.1%
2012						
Impact on net profit to the Group's equity owners for 2012 (HK\$ in million)	(98.2)	(64.4)	(31.8)	31.8	63.4	93.0
% of total net profit to the Group's equity owners	-104.3%	-68.4%	-33.7%	33.7%	67.3%	98.7%
2011						
Impact on net profit to the Group's equity owners for 2011 (HK\$ in million)	(152.6)	(101.0)	(50.5)	49.7	99.2	148.7
% of total net profit to the Group's equity owners	-103.0%	-68.2%	-34.1%	33.5%	66.9%	100.3%
2010						
Impact on net profit to the Group's equity owners for 2010 (HK\$ in million)	(142.8)	(93.2)	(46.4)	46.4	91.5	135.9
% of total net profit to the Group's equity owners	-706.5%	-461.4%	-229.7%	229.7%	452.7%	672.5%

FINANCIAL INFORMATION

Finance costs

Finance costs mainly consisted of interest on amounts due to fellow subsidiaries and interest on bank borrowing. The table below sets forth the breakdown of the Group's finance costs during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:					
Bank borrowing wholly repayable within one year	1,198	2,834	—	—	—
Amounts due to fellow subsidiaries (interest bearing portion)	<u>969</u>	<u>1,198</u>	<u>1,711</u>	<u>840</u>	<u>409</u>
	<u><u>2,167</u></u>	<u><u>4,032</u></u>	<u><u>1,711</u></u>	<u><u>840</u></u>	<u><u>409</u></u>

Taxation

Tax charges comprises current tax, which includes Enterprise Income Tax (“EIT”) and Land Appreciation Tax (“LAT”), and deferred tax in respect of the Group's operations in the PRC during the Track Record Period. Income tax is recognised in the combined statement of profit or loss and other comprehensive income in the period in which it is incurred.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid.

(a) the PRC EIT

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (“new EIT Law”), which became effective from 1 January 2008 onwards. The new EIT Law introduced a wide range of changes including, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

Deferred tax assets and liabilities are recognised on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

FINANCIAL INFORMATION

For details, please see the section headed “Enterprise Income Tax” in Appendix IV “Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus.

(b) the PRC LAT

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and amended on 8 January 2011, and the Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995 (collectively the “**LAT Regulations**”), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

For details, please refer to the section headed “Land Appreciation Tax” in Appendix IV “Summary of Principal PRC Legal and Regulatory Provisions” to this prospectus.

As at 30 June 2013, no LAT was due to be paid by the Group, but for prudence sake provision was made for LAT and other related tax payables in the sum of approximately HK\$198.0 million in connection with the Group’s disposal of investment property holding subsidiaries. The Group’s current provision of LAT is based on its management’s best estimates according to the understanding of the requirements as discussed above.

(c) Hong Kong Tax

The Group’s subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the Track Record Period.

(d) Cayman Islands and BVI profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly, is exempt from the payment of the Cayman Islands income tax. Certain of the Company’s subsidiaries were incorporated in the BVI and are not subject to any income tax according the laws of the BVI.

FINANCIAL INFORMATION

The table below sets forth the tax reconciliation of the taxation charge to the profit/(loss) before taxation of the Group during the Track Record Period.

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit/(loss) before taxation	<u>89,811</u>	<u>351,594</u>	<u>169,760</u>	<u>(6,480)</u>	<u>80,546</u>
Tax at applicable income tax rate 25%	22,453	87,899	42,440	(1,620)	20,137
Tax effect of income not taxable for tax purpose	(15,157)	(16,177)	(2,076)	(1,754)	(21,958)
Tax effect of expenses not deductible for tax purpose	1,812	1,853	5,946	3,496	1,436
Tax effect of tax losses not recognised	9,257	7,354	6,366	3,608	3,759
Tax effect of different tax rate	—	—	(927)	—	—
LAT	48,303	31,672	52,408	4,813	1,207
Tax effect of LAT	(12,076)	(7,918)	(13,102)	(1,203)	(302)
Tax effect of adjustment on deemed cost for LAT and EIT calculation	19,543	5,025	(10,044)	2,802	771
Tax arising from disposal of a subsidiary	—	97,914	—	—	—
Others	<u>(4,531)</u>	<u>(4,197)</u>	<u>(5,442)</u>	<u>(3,352)</u>	<u>(2,999)</u>
	<u>69,604</u>	<u>203,425</u>	<u>75,569</u>	<u>6,790</u>	<u>2,051</u>

Foreign exchange

Under the requirements of HKAS 21 “The effects of Changes in Foreign Exchange Rates”, at the end of each reporting period, monetary items denominated in foreign currencies shall be retranslated into the functional currency of the group entity which it relates at the rates prevailing at that date. Exchange differences arising on the translation of monetary items are recognised in profit or loss in the year/period in which they arise.

Exchange gain recognised during the Track Record Period mainly represented the gains arising from retranslation of those Hong Kong dollar denominated amounts due to fellow subsidiaries into Renminbi (functional currency of respective Group entities) in the preparation of combined statements of profit or loss and other comprehensive income of the Group at the end of each respective reporting period in accordance with HKAS 21.

The Group did not enter into any foreign exchange contracts during the Track Record Period. Given that the amount due to fellow subsidiaries will be settled/capitalised prior to the Listing, this exchange gain will not arise after the Listing.

FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended 30 June 2013 compared to six months ended 30 June 2012

Turnover

Turnover decreased by approximately 48.2% from approximately HK\$8.7 million in the first half of 2012 to approximately HK\$4.5 million in the same period of 2013. The decrease was mainly due to the disposal of Tianjin Property Company in April 2013 after which the Group ceased to record any rental income.

Operating expenses

Operating expenses (which were mainly composed of building operating expenses, utilities expenses, legal and professional fee, office expenses and travelling expense) decreased from approximately HK\$10.4 million for the first half of 2012 to approximately HK\$7.4 million for the first half of 2013 due to the absence of operating expenses from Tianjin Property Company following its disposal in April 2013.

Other income, gains and losses

The turnaround of other income, gains and losses from losses of approximately HK\$5.3 million for the first half of 2012 to gains of approximately HK\$28.8 million for the same period of 2013 was mainly due to net exchange gain of approximately HK\$22.2 million made in the first half of 2013 as RMB appreciated in the first half of 2013 while depreciated in the first half of 2012.

Staff costs

Staff costs decreased by approximately 42.9% from approximately HK\$5.5 million in the first half of 2012 to approximately HK\$3.1 million in the same period of 2013. The decrease was mainly due to the reduction in staff cost as a result of the disposal of Tianjin Property Company in April 2013.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 44.1% from approximately HK\$1.7 million for the first half of 2012 to approximately HK\$1.0 million for the same period of 2013. The decrease was mainly due to the cessation of depreciation charges on property, plant and equipment of Tianjin Property Company after they were classified under “assets classified as held for sale” at the end of 2012.

Investment properties

The Group's realised gain on investment properties increased significantly from approximately HK\$339,000 for the first half of 2012 to approximately HK\$56.9 million for the same period of 2013. The increase was mainly due to disposal of Tianjin Property Company (which held Tianjin Property) in April 2013.

FINANCIAL INFORMATION

Fair value changes on financial assets at fair value through profit or loss

This represents approximately HK\$0.7 million attributable to fair value loss on the 10% equity interest in Shenyang Jiajian recorded in the first half of 2013.

Other expenses

The Group recorded other expenses of approximately HK\$3.3 million for the first half of 2013, which mainly comprised professional fees increased in connection with Spin-off exercise.

Finance costs

Finance costs decreased by approximately 51.3% from approximately HK\$0.8 million for the first half of 2012 to approximately HK\$0.4 million for the first half of 2013. The decrease was mainly due to disposal of Tianjin Property Company (which held Tianjin Property) in April 2013 where no further finance cost in respect of the Tianjin Property Company was recorded.

Taxation

Taxation decreased by approximately 69.8% from approximately HK\$6.8 million for the first half of 2012 to approximately HK\$2.1 million for the same period of 2013. The decrease in tax expenses was mainly due to the fact that; (i) the PRC tax in respect of the disposal of Tianjin Property was offset by the release of the related deferred tax liabilities; and (ii) the deferred tax provided in the first half of 2013 decreased as compared to the same period of 2012.

Profit/(loss) for the year/period attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of approximately HK\$13.3 million for the first half of 2012 and a profit of approximately HK\$78.5 million for the same period of 2013. The profit was mainly due to the gain derived from the disposal of Tianjin Property Company in April 2013.

Year ended 31 December 2012 compared to year ended 31 December 2011

Turnover

Turnover increased by approximately 39.2% from approximately HK\$15.0 million in 2011 to approximately HK\$20.8 million in 2012. The increase was mainly due to that Tianjin Property was at its initial stage of operation in 2011.

Operating expenses

Operating expenses (which were mainly composed of building operating expenses, utilities expense, legal and professional fee, office expenses and travelling expense) decreased by approximately 17.9% from approximately HK\$24.8 million in 2011 to approximately HK\$20.3 million in 2012. The decrease was mainly due to the Group's disposal of 90% equity interest in Shenyang Jiajian (which then owned and still owns Sun Plaza) and the Group ceased to record any operating expenses after the disposal.

FINANCIAL INFORMATION

Other income, gains and losses

“Other income, gains and losses” decreased by approximately 68.0% from approximately HK\$59.2 million in 2011 to approximately HK\$19.0 million in 2012. The decrease was mainly due to the decrease in net exchange gain from approximately HK\$48.8 million in 2011 to approximately HK\$8.3 million in 2012, arising from the amounts due to fellow subsidiaries, which were denominated in Hong Kong dollars as the appreciation of RMB in 2012 was at a slower pace comparing to that of 2011. The increase in other income from approximately HK\$2.8 million in 2011 to approximately HK\$5.2 million was mainly due to the increase in the utilities charges (including water and electricity) against the tenants of Tianjin Property.

Staff costs

Staff costs decreased by approximately 19.2% from approximately HK\$12.8 million in 2011 to approximately HK\$10.3 million in 2012. The decrease was mainly due to the reduction in staff cost as a result of disposal of 90% equity interest in Shenyang Jiajian which then owned and still owns Sun Plaza.

Depreciation and amortisation

Depreciation and amortisation increased by approximately 15.7% from approximately HK\$3.0 million in 2011 to approximately HK\$3.5 million in 2012. The increase was mainly due to additions of plant and machinery, including mechanical and engineering insulation, for Tianjin Property in 2012.

Investment properties

Realised or unrealised gain on investment properties decreased by approximately 42.6% from approximately HK\$321.2 million in 2011 to approximately HK\$184.4 million in 2012. The decrease was mainly due to the realised gain on disposal of 90% equity interest in Shenyang Jiajian in 2011 (while there was no similar realised gain in 2012) and the investment properties of the Group (other than Tianjin Property) did not have a significant fair value gain in 2012.

Fair value changes on financial assets at fair value through profit or loss

This represents approximately HK\$6.0 million attributable to fair value loss on the 10% equity interest in Shenyang Jiajian recorded in 2012.

Other expenses

The Group recorded other expenses of approximately HK\$12.6 million for 2012, which mainly comprised professional fees incurred in connection with the Spin-off exercise.

Finance costs

Finance costs decreased by approximately 57.6% from HK\$4.0 million in 2011 to approximately HK\$1.7 million in 2012. The decrease was mainly because the Group did not have any bank borrowings in 2012 and part of the interest bearing amounts due to fellow subsidiaries was repaid during the year 2012.

FINANCIAL INFORMATION

Taxation

Taxation decreased by approximately 62.9% from approximately HK\$203.4 million in 2011 to approximately HK\$75.6 million in 2012. The decrease was mainly due to that the Group recorded a PRC tax provision of approximately HK\$154.2 million resulting from the disposal of 90% interest in Shenyang Jiajian (which held the entire interest of Sun Plaza) in 2011, but did not have similar disposal transaction in 2012.

Profit/(loss) for the year/period attributable to owners of the Company

In light of the foregoing, the Group recorded a profit for the year attributable to owners of the Company of approximately HK\$148.2 million and HK\$94.2 million in 2011 and 2012 respectively.

Year ended 31 December 2011 compared to year ended 31 December 2010

Turnover

Turnover increased by approximately 9.5 times from approximately HK\$1.4 million in 2010 to approximately HK\$15.0 million in 2011 due to full year effect in 2011 as the Tianjin Property only commenced operation in December 2010.

Operating expenses

Operating expenses increased from approximately HK\$14.2 million in 2010 to approximately HK\$24.8 million in 2011 was mainly due to full year effect of the Tianjin Property's operation in 2011.

Other income, gains and losses

"Other income, gains and losses" represent mainly net exchange gain, as well as the increase by approximately 10.7% from approximately HK\$53.5 million in 2010 to approximately HK\$59.2 million in 2011. The increase in other income (which mainly comprised utilities charges against tenants of Tianjin Property) from approximately HK\$0.3 million to approximately HK\$2.8 million was due to full year effect of operation of Tianjin Property in 2011.

Staff costs

Staff costs increased by approximately 40.9% from approximately HK\$9.1 million in 2010 to approximately HK\$12.8 million in 2011. The increase was mainly due to increase in headcounts following the commencement of operation of Tianjin Property.

Depreciation and amortisation

Depreciation and amortisation increased by approximately 6.9% from approximately HK\$2.8 million in 2010 to approximately HK\$3.0 million in 2011. The increase was mainly due to additions of property, plant and machinery at Tianjin Property.

FINANCIAL INFORMATION

Investment properties

Realised or unrealised gain on investment properties recognised in profit or loss increased by approximately 408.7% from approximately HK\$63.2 million in 2010 to approximately HK\$321.2 million in 2011. The increase was mainly due to the realised gain on disposal of an investment property holding company of approximately HK\$225.3 million in connection with the completion of the disposal of the 90% equity interest in Shenyang Jiajian in October 2011.

Fair value changes on financial assets at fair value through profit or loss

The Group recorded fair value gain on financial assets at fair value through profit or loss of approximately HK\$0.8 million in 2011 which represented fair value gain on valuation of 10% equity interest in Shenyang Jiajian at the end of 2011.

Finance costs

Finance costs increased by approximately 86.1% from HK\$2.2 million in 2010 to approximately HK\$4.0 million in 2011. The increase was mainly due to the increase in interest expense accrued on bank borrowings resulting from increase in bank borrowings in 2011 for the construction expense in connection with Tianjin Property.

Taxation

Taxation increased by approximately 192.3% from approximately HK\$69.6 million in 2010 to approximately HK\$203.4 million in 2011. The increase was mainly due to the PRC tax provision of approximately HK\$154.2 million, which arose from the disposal of the 90% equity interest of Shenyang Jiajian in 2011.

Profit/(loss) for the year/period attributable to owners of the Company

In light of the foregoing, profit for the year attributable to owners of the Company increased by approximately 633.3% from approximately HK\$20.2 million in 2010 to approximately HK\$148.2 million in 2011.

FINANCIAL INFORMATION

CURRENT ASSETS AND LIABILITIES

The following table sets out the Group's current assets and current liabilities as at the dates indicated.

	At 31 December			As at	As at
	2010	2011	2012	30 June	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Rental and other receivables	35,684	3,994	991	336,818	338,701
Amount due from a fellow subsidiary	—	37,876	—	—	—
Financial assets at fair value through profit or loss	—	35,815	29,812	29,075	29,075
Bank balances and cash	167,225	53,684	87,225	211,866	169,777
Assets classified as held for sale	<u>—</u>	<u>—</u>	<u>667,335</u>	<u>—</u>	<u>—</u>
	<u>202,909</u>	<u>131,369</u>	<u>785,363</u>	<u>577,759</u>	<u>537,553</u>
Current liabilities					
Provisions	142,125	—	—	—	—
Other payables and rental deposits received	37,466	18,923	46,972	4,982	2,069
Amounts due to fellow subsidiaries	1,544,390	1,234,799	1,074,594	1,063,653	1,025,741
Taxation payable	—	115,773	117,573	199,806	199,806
Bank borrowing — due within one year	47,200	—	—	—	—
Liabilities associated with assets classified as held for sale	<u>—</u>	<u>—</u>	<u>189,359</u>	<u>—</u>	<u>—</u>
	<u>1,771,181</u>	<u>1,369,495</u>	<u>1,428,498</u>	<u>1,268,441</u>	<u>1,227,616</u>
Net current liabilities	<u>(1,568,272)</u>	<u>(1,238,126)</u>	<u>(643,135)</u>	<u>(690,682)</u>	<u>(690,063)</u>

Reversal of net current liability position

As at 31 July 2013, the net aggregate amount owing by the Group to the Remaining Parentco Group amounted to approximately HK\$1,025.7 million. As at the same date, the Group's net current liabilities amounted to about HK\$690.1 million. As part of the Reorganisation, the benefits of an aggregate amount of approximately HK\$1,025.7 million payable to the Remaining Parentco Group were assigned to the Group in exchange for new Shares issued to Parentco. Immediately after the Reorganisation which was consummated on

FINANCIAL INFORMATION

26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. See also the section headed “Risk Factors — Risks relating to the Group’s Business — The Group had net current liabilities during the Track Record Period” of this prospectus for further details.

Amount due from a fellow subsidiary

As at 31 December 2011, the amount due from another fellow subsidiary of the Group was approximately HK\$37.9 million. Such amount due from the fellow subsidiary was unsecured, non-interest bearing and repayable within one year. Such amount was fully settled by the fellow subsidiary in the second half of 2012.

In determining the recoverability of the amounts due from fellow subsidiaries, the Group monitors the changes in credit quality of the amounts due from fellow subsidiaries since credit was granted and up to the reporting date. The Directors considered that the amounts due from fellow subsidiaries that are neither past due nor impaired to be of a good credit quality.

Rental and other receivables

During the Track Record Period, the Group’s rental and other receivables comprised (i) rental receivables; (ii) prepayments in connection with the Group’s prepaid motor vehicle insurance, prepaid properties insurance and prepaid expenses for software maintenance fee; (iii) payment in advances in connection with the Group’s advance payments for demolition and relocation work relating to Sun Plaza; (iv) value added tax receivables in connection mainly with purchase of property, plant and equipment; (v) rental, utility and other deposits in connection with the Group’s deposits paid for utility services and rental and management fee deposits paid for its staff quarters in the PRC; (vi) receivable from disposal of Tianjin Property Company; (vii) interest receivable; and (viii) other receivables in connection with temporary payments for constructors and miscellaneous receivables.

FINANCIAL INFORMATION

The following table sets forth the breakdown of the Group's rental and other receivables as at the date indicated:

	At 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
An analysis of rental and other receivables is as follows:				
Rental receivables	—	1,785	—	—
Prepayments	38	89	29	15
Payment in advance	30,082	—	—	—
Value added tax receivables	2,418	1,606	513	531
Rental, utility and other deposits	218	139	131	110
Receivable from disposal of Tianjin Property Company	—	—	—	335,166
Interest receivable	—	—	—	257
Others	<u>2,928</u>	<u>375</u>	<u>318</u>	<u>739</u>
	<u><u>35,684</u></u>	<u><u>3,994</u></u>	<u><u>991</u></u>	<u><u>336,818</u></u>

As at 31 December 2011, the Group's rental receivables were approximately HK\$1.8 million. The Group did not record any rental receivables as at 31 December 2010 as the Tianjin Property commenced its operation in December 2010 and rental receivables began to be recorded from 2011. The Group also did not record any rental receivables as at 31 December 2012, mainly because such receivables were recorded as assets classified as held for sale following the execution of TJ Disposal Agreement by the Group on 31 December 2012. Payment in advance represented advance payment for demolition and relocation works in respect of Yifu Land which only occurred in 2010.

Generally, no credit period was granted to tenants of the Group's rental of premises. Before accepting any new tenants, the Group will internally access the credit quality of the potential tenants.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's total rental and other receivables were approximately HK\$35.7 million, HK\$4.0 million, HK\$1.0 million and HK\$336.8 million respectively. The significant decrease from approximately HK\$35.7 million as at 31 December 2010 to approximately HK\$4.0 million as at 31 December 2011 was mainly because the payment in advance for demolition and relocation works in respect of Yifu Land only occurred in 2010. The decrease of such item from approximately HK\$4.0 million as at 31 December 2011 to approximately HK\$1.0 million as at 31 December 2012 was mainly because the Group did not record any rental receivables after Tianjin Property was recorded under assets classified as held for sale following the execution of TJ Disposal Agreement by the Group

FINANCIAL INFORMATION

on 31 December 2012. The significant increase at 30 June 2013 was mainly due to the consideration receivable for the disposal of Tianjin Property Company of approximately HK\$335.2 million.

The following table sets out the breakdown of the Group's rental and other receivables as at the date indicated with the assumption that the rental and other receivables in connection with Tianjin Property Company were classified as investment properties (i.e. not as "assets held for sale", which would be the case if TJ Disposal Agreement had not been entered into):

	At 31 December 2012 <i>HK\$'000</i>
Rental receivables	2,221
Prepayments	158
Value added tax receivables	896
Rental, utilities and other deposits	208
Others	435
	3,918

Assuming that the rental and other receivables in connection with Tianjin Property Company were classified as "assets classified as held for sale", the amount of rental and other receivables remained stable at approximately HK\$4.0 million as at 31 December 2011 and as at 31 December 2012 respectively, with increase in rental receivables being offset by decrease in value added tax receivables.

Financial assets at fair value through profit or loss

During the Track Record Period, the Group's financial assets at fair value through profit or loss comprised an unlisted equity investment in the PRC, which were the Group's retained 10% equity interest in Shenyang Jiajian (after the Group's disposal of its 90% interest in Shenyang Jiajian in 2011). The Group's equity interest in Shenyang Jiajian was classified as investment property in 2010. Subsequent to the disposal of 90% equity interest in 2010, the Group's remaining 10% equity interest was classified as financial assets at fair value through profit or loss. As such, as at 31 December 2011 and 2012 and 30 June 2013, the Group's financial assets at fair value through profit or loss were approximately HK\$35.8 million, HK\$29.8 million and HK\$29.1 million respectively. Prior to such disposal, the fair value as at 31 December 2011 and 2012 and 30 June 2013 is determined having regard to the fair value of the underlying investment property and adjusted by applying discount for lack of marketability of the investment.

Provisions

As at 31 December 2010, the Group recorded a provision for claims amounted to approximately HK\$142.1 million in relation to potential disputes mainly with pre-sale purchasers of commercial units of Sun Plaza which were pre-sold by former developer, the then tenants for

FINANCIAL INFORMATION

early termination of rental agreements entered into by former developer and such tenants and the then residents under the demolition and re-allocation program associated with certain defects subsisting in Sun Plaza when the acquisition was completed in December 2009. The Group was aware of the potential disputes before the acquisition and the amount of potential liabilities under such disputes were taken into account in determining the consideration for the acquisition. Following disposal of the 90% interest in Sun Plaza in October 2011, the provision was derecognised by the Group as at 31 December 2011.

Upon completion of the disposal, as a 10% shareholder of Shenyang Jiajian, the outstanding claims have been derecognised subsequent to the disposal of 90% equity interest in Shenyang Jiajian as the financial statements of Shenyang Jiajian were no longer being consolidated by the Group.

Under the PRC Civil Law Principles (民法通則), a legal person shall be solely responsible for its civil liabilities. Shenyang Jiajian (which currently owns Sun Plaza) is registered as a limited liability company with legal person status. The PRC Legal Advisers have reviewed the documents provided by the Group in relation to the potential disputes and believe that those disputes relate to Shenyang Jiajian, but not relate to any of the shareholders of Shenyang Jiajian. As such, the PRC Legal Advisers are of the view that the Group would not be subject to any of the litigation claims in relation to such potential disputes. As a shareholder of Shenyang Jiajian, the Group's losses in relation to the abovementioned potential disputes are limited to the capital contributions the Group paid to Shenyang Jiajian.

Other payables and rental deposits received

The below table sets forth the breakdown of the Group's other payables and rental deposits received as at the date as indicated:

	At 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables for construction in progress	1,363	314	173	148
Payables for investment properties under construction	24,780	3,223	—	—
Accrued charges	1,274	3,376	8,967	4,318
Rental deposits and other deposits received	6,652	8,424	—	—
Interest payable	286	—	—	—
Receipt in advance	1,119	2,568	37,320	—
Others	1,992	1,018	512	516
	<u>37,466</u>	<u>18,923</u>	<u>46,972</u>	<u>4,982</u>

FINANCIAL INFORMATION

The Group's other payables and rental deposits received decreased from approximately HK\$37.5 million as at 31 December 2010 to approximately HK\$18.9 million as at 31 December 2011. This was mainly due to the decrease in payables for investment properties under construction. The Group's other payables and rental deposits received increased from approximately HK\$18.9 million as at 31 December 2011 to approximately HK\$47.0 million as at 31 December 2012, mainly due to the receipt in advance of approximately HK\$37.3 million from the down payment of the disposal of the Tianjin Property Company (which held Tianjin Property). Payables for investment properties under construction and rental deposits received further decreased to nil as at 31 December 2012, which was mainly because the payables and rental deposits received in connection with Tianjin Property were recorded under liabilities associated with assets classified as held for sale resulting from the execution of TJ Disposal Agreement by the Group on 31 December 2012. The increase in accrued charges from approximately HK\$3.4 million in 2011 to approximately HK\$9.0 million in 2012 was mainly due to professional fee incurred in respect of the Listing. The accrued charges of approximately HK\$4.3 million as at 30 June 2013 mainly represented professional fee in relation to the Listing exercise.

The following table sets out the breakdown of the Group's other payables and rental deposits received as at the date indicated with the assumption that the other payables and rental deposits received in connection with Tianjin Property Company were classified as liabilities associated with investment properties (i.e. not as "assets held for sale", which would be the case if TJ Disposal Agreement had not been entered into):

	At 31 December 2012 <i>HK\$'000</i>
Payables for construction in progress	173
Accrued charges	10,103
Rental deposits and other deposits received	4,796
Receipt in advance	37,320
Others	3,123
	55,515

Assuming the other payables and rental deposits received in connection with Tianjin Property Company were classified as liabilities associated with assets classified as held for sale, the increase from approximately HK\$18.9 million as at 31 December 2011 to approximately HK\$55.5 million as at 31 December 2012 was mainly due to increase in receipt in advance from sale of Tianjin Property and the increase in accrued charges which was attributable to professional fees in relation to the Listing exercise.

FINANCIAL INFORMATION

Amounts due to fellow subsidiaries

The below table sets forth the breakdown of the Group's amounts due to fellow subsidiaries as at the date indicated:

	At 31 December			As at	As at
	2010	2011	2012	30 June	31 July
	HK\$'000	HK\$'000	HK\$'000	2013	2013
				HK\$'000	HK\$'000
					(Unaudited)
Amounts due to fellow subsidiaries					
— interest bearing portion	72,292	124,777	27,644	37,912	—
— non-interest bearing portion	<u>1,472,098</u>	<u>1,110,022</u>	<u>1,046,950</u>	<u>1,025,741</u>	<u>1,025,741</u>
	<u>1,544,390</u>	<u>1,234,799</u>	<u>1,074,594^(Note)</u>	<u>1,063,653</u>	<u>1,025,741</u>

Note: The balance as at 31 December 2012 excludes an amount of approximately HK\$123.3 million owed to the Remaining Parentco Group by the Tianjin Property Company, which was subsequently disposed of by the Group under the TJ Disposal Agreement.

The interest bearing amounts due to fellow subsidiaries were unsecured and repayable on demand. Such amounts represented the transfer of funds between the Group and Parentco's subsidiaries in the PRC, through the arrangement of entrustment loans by financial institutions and carry interest rates ranging from 1.50% p.a. to 4.86% p.a., 1.50% p.a. to 4.86% p.a., 0.50% p.a. to 1.50% p.a. and 0.50% p.a. to 1.50% p.a. as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively.

The non-interest bearing amounts are unsecured and repayable on demand.

The balances of amounts due to fellow subsidiaries were mainly attributable to net amount of funding provided to the Group by Parentco Group for the Group's business activities during the Track Record Period.

The Group's amounts due to fellow subsidiaries decreased from approximately HK\$1,063.7 million as at 30 June 2013 to approximately HK\$1,025.7 million as at 31 July 2013, which was mainly due to the Group's repayment of the interest bearing portion of approximately HK\$37.9 million.

As part of the Reorganisation, the benefits of an aggregate amount of approximately HK\$1,025.7 million payable to the Remaining Parentco Group were assigned to the Group in exchange for new Shares issued to Parentco. Immediately after the Reorganisation, which was consummated on 26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. Please refer to the section headed "Financial information — Current assets and liabilities — Reversal of net current liability position" above for further details of the repayments to the Remaining Parentco Group by the Group.

FINANCIAL INFORMATION

Taxation payable

As at 31 December 2011 and 2012 and 30 June 2013, the Group's taxation payable was approximately HK\$115.8 million, HK\$117.6 million and HK\$199.8 million respectively. The Group did not record any taxation payable as at 31 December 2010 as it did not have any assessable profit.

SELECTED FINANCIAL POSITION ITEMS

Investment properties

As at 30 June 2013, the Group's investment properties consist of Harbin Property, Qingdao Property and six workshops and two car parking spaces in HKIC. The Group's investment properties were valued at approximately HK\$1,609.0 million, HK\$1,147.3 million, HK\$684.4 million and HK\$706.4 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively. The below table sets forth the breakdown of the value of the investment properties as at the date indicated below.

	As at 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sun Plaza	610,060	—	—	—
Qingdao Property	266,444	305,434	312,742	318,655
Harbin Property	174,876	313,480	335,755	347,072
Certain workshops and car parking spaces in Hong Kong	52,480	53,250	35,900	40,700
Tianjin Property	<u>505,158</u>	<u>475,097</u>	<u>—</u>	<u>—</u>
Total investment properties	<u><u>1,609,018</u></u>	<u><u>1,147,261</u></u>	<u><u>684,397</u></u>	<u><u>706,427</u></u>

Investment properties were valued at approximately HK\$1,147.3 million as at 31 December 2011, as compared to approximately HK\$1,609.0 million as at 31 December 2010. The decrease in value was mainly due to the disposal by the Group of the 90% equity interest of Shenyang Jiajian whose sole asset is Sun Plaza, the effect of which was partially offset by unrealised fair value gain in Harbin Property.

The value of the investment properties decreased from approximately HK\$1,147.3 million as at 31 December 2011 to approximately HK\$684.4 million as at 31 December 2012. The decrease was mainly because (i) Tianjin Property was classified as the Group's assets classified as held for sale after the execution of TJ Disposal Agreement by the Group on 31 December 2012; and (ii) the Group disposed of three workshops and three car parking spaces in Hong Kong in 2012, partially offset by the increase in fair value of Qingdao Property and Harbin Property.

FINANCIAL INFORMATION

The value of the investment properties had a slight increase from approximately HK\$684.4 million as at 31 December 2012 to approximately HK\$706.4 million as at 30 June 2013, which was mainly due to the exchange gain of approximately HK\$9.9 million and unrealised gain of approximately HK\$6.3 million.

Assets classified as held for sale/Liabilities associated with assets classified as held for sale

The table below sets out the breakdown of the major classes of assets and liabilities of Tianjin Property Company classified as held for sale as at 31 December 2012:

	<i>HK\$'000</i>
Investment property	647,920
Property, plant and equipment	12,683
Rental and other receivables	2,927
Bank balances and cash	<u>3,805</u>
 Total assets classified as held for sale	 <u><u>667,335</u></u>
 Other payables and rental deposits received	 (8,543)
Amounts due to fellow subsidiaries	(123,296)
Deferred tax liabilities	<u>(57,520)</u>
 Total liabilities classified as held for sale	 <u><u>(189,359)</u></u>
 Net assets classified as held for sale	 <u><u>477,976</u></u>

On 31 December 2012, the Group entered into the TJ Disposal Agreement with the TJ Property Purchaser whereby (i) the TJ Property Purchaser agreed to purchase the entire equity interests in Tianjin Property Company for a consideration of RMB545.0 million (equivalent to approximately HK\$685.1 million) less all loans, whether principal or interest, outstanding and owed by Tianjin Property Company to the Remaining Parentco Group in an aggregate amount of approximately RMB99.1 million (equivalent to approximately HK\$124.6 million) as at 31 December 2012 (“**Entrusted Loans**”) and (ii) the TJ Property Purchaser would provide funding to, and will procure, Tianjin Property Company to repay the Entrusted Loans. On the date of completion, the TJ Property Purchaser would further procure Tianjin Property Company to pay the interest to be accrued on the principal amount of the Entrusted Loans for the period from 1 January 2013 to the date of completion (both dates inclusive). The assets and liabilities attributable to Tianjin Property Company, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the combined statements of financial position.

FINANCIAL INFORMATION

Property, plant and equipment

During the Track Record Period, the Group's property, plant and equipment comprised (i) plant and machinery; (ii) furniture, fixtures and equipment; and (iii) motor vehicles. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group had property, plant and equipment of approximately HK\$14.8 million, HK\$13.5 million, HK\$2.8 million and HK\$1.8 million respectively.

The Group's property, plant and equipment decreased from approximately HK\$14.8 million as at 31 December 2010 to approximately HK\$13.5 million as at 31 December 2011 was mainly due to depreciation charge of approximately HK\$3.0 million and set off with the addition of HK\$1.3 million.

The Group's property, plant and equipment decreased from approximately HK\$13.5 million as at 31 December 2011 to approximately HK\$2.8 million as at 31 December 2012, mainly because property, plant and equipment of approximately HK\$12.7 million was recorded as assets classified as held for sale following the execution of TJ Disposal Agreement by the Group on 31 December 2012.

Assuming the property, plant and equipment in connection with Tianjin Property Company was classified as investment properties (i.e. not as "assets classified as held for sale"), the increase from approximately HK\$13.5 million as at 31 December 2011 to approximately HK\$15.5 million as at 31 December 2012 was mainly due to addition of plant and machinery.

The Group's property, plant and equipment decreased from approximately HK\$2.8 million as at 31 December 2012 to approximately HK\$1.8 million as at 30 June 2013, which was mainly due to depreciation charge of HK\$1.0 million in the first half of 2013.

Properties under development

"Properties under development" represents the capitalisation of payments for design and professional fees in respect of the development plan for Yifu Land. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the properties under development amounted to approximately HK\$3.1 million, HK\$5.2 million, HK\$6.1 million and HK\$8.4 million respectively.

Prepaid lease payments

Payments made in acquiring interests in Yifu Land were recorded as prepaid lease payments as at 31 December 2010, 2011 and 2012 and 30 June 2013. As at 31 December 2010, 2011, 2012 and 30 June 2013, the prepaid lease payments amounted to approximately HK\$652.2 million, HK\$680.6 million, HK\$685.9 million and HK\$695.9 million respectively.

FINANCIAL INFORMATION

Deferred tax liabilities

The table below sets forth the major deferred tax liabilities recognised and movements during the Track Record Period:

	Revaluation of properties	LAT	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2010	69,052	114,038	183,090
Exchange adjustments	2,612	4,313	6,925
Charge to profit or loss	<u>21,301</u>	<u>48,303</u>	<u>69,604</u>
At 31 December 2010	92,965	166,654	259,619
Exchange adjustments	4,254	7,627	11,881
Charge to profit or loss	17,524	31,672	49,196
Disposal of a subsidiary	<u>(22,557)</u>	<u>(55,545)</u>	<u>(78,102)</u>
At 31 December 2011	92,186	150,408	242,594
Exchange adjustments	747	1,219	1,966
Charge to profit or loss	21,361	52,408	73,769
Reclassified to held-for-sale	<u>(57,520)</u>	<u>—</u>	<u>(57,520)</u>
As at 31 December 2012	56,774	204,035	260,809
Exchange adjustments	867	1,574	2,441
Charge (credit) to profit or loss	<u>844</u>	<u>(99,723)</u>	<u>(98,879)</u>
At 30 June 2013	<u><u>58,485</u></u>	<u><u>105,886</u></u>	<u><u>164,371</u></u>

The Group has unused tax losses of approximately HK\$155.9 million, HK\$174.7 million, HK\$150.5 million and HK\$64.5 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of such losses during the Track Record Period due to unpredictability of future profit streams.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

The Group generally financed the operations through loans from fellow subsidiaries and bank borrowings.

The following table sets forth selected cash flow data from the combined statements of cash flows of the Group for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/from operating activities	(70,717)	26,997	(5,502)	(38,037)
Net cash from investing activities	19,255	488,995	75,931	161,898
Net cash from/(used in) financing activities	<u>180,877</u>	<u>(629,604)</u>	<u>(33,098)</u>	<u>(3,646)</u>
Net increase/(decrease) in cash and cash equivalent	129,415	(113,612)	37,331	120,215
Effect of foreign exchange rate changes	625	71	15	621
Cash and cash equivalent at beginning of the year/period	<u>37,185</u>	<u>167,225</u>	<u>53,684</u>	<u>91,030</u>
Cash and cash equivalent at end of the year/period	<u><u>167,225</u></u>	<u><u>53,684</u></u>	<u><u>91,030</u></u>	<u><u>211,866</u></u>

Net cash (used in)/from operating activities

Six months ended 30 June 2013

For the six months ended 30 June 2013, the Group's net cash used in operating activities was approximately HK\$38.0 million, primarily resulted from profit before taxation of approximately HK\$80.5 million, being offset by gain on disposal of a subsidiary of approximately HK\$56.9 million, unrealised exchange gain of approximately HK\$22.2 million and payment of PRC Enterprise Income Tax of approximately HK\$18.9 million.

FINANCIAL INFORMATION

Year ended 31 December 2012

For the year ended 31 December 2012, the Group's net cash used in operating activities was approximately HK\$5.5 million, primarily resulted from profit before taxation of approximately HK\$169.8 million being adjusted by writing back the unrealised gain on fair value changes on investment properties of approximately HK\$182.9 million.

Year ended 31 December 2011

For the year ended 31 December 2011, the Group's net cash from operating activities was approximately HK\$27.0 million, primarily resulted from profit before taxation of approximately HK\$351.6 million, being partially offset by unrealised gain on fair value changes on investment properties of approximately HK\$94.4 million, realised gain on disposal of an investment property holding company of approximately HK\$225.3 million, decrease in rental and other receivables of approximately HK\$30.6 million and increase in other payables and rental deposits received of approximately HK\$41.7 million.

Year ended 31 December 2010

For the year ended 31 December 2010, the Group's net cash used in operating activities was approximately HK\$70.7 million, primarily resulted from profit before taxation of approximately HK\$89.8 million, as partially offset by unrealised gain on fair value changes on investment properties of approximately HK\$62.0 million, unrealised exchange gain of approximately HK\$52.8 million, increase in rental and other receivables of approximately HK\$29.9 million and decrease in other payables and rental deposits received of approximately HK\$23.5 million.

Net cash from investing activities

Six months ended 30 June 2013

For the six months ended 30 June 2013, the Group's net cash from investing activities was approximately HK\$161.9 million, primarily resulted from proceeds from disposal of a subsidiary of approximately HK\$167.7 million.

Year ended 31 December 2012

For the year ended 31 December 2012, the Group's net cash from investing activities was approximately HK\$75.9 million, primarily resulted from the proceeds from disposal of investment properties of approximately HK\$23.7 million, deposit received from disposal of subsidiary of approximately HK\$37.3 million and net repayment from a fellow subsidiary of approximately HK\$38.1 million deducted by additions to investment properties of approximately HK\$16.9 million (which were mainly attributable to the capitalisation of the construction cost in connection with Harbin Property).

FINANCIAL INFORMATION

Year ended 31 December 2011

For the year ended 31 December 2011, the Group's net cash from investing activities was approximately HK\$489.0 million, primarily arising from the proceeds from disposal of 90% interest in Shenyang Jiajian of approximately HK\$596.7 million as partially offset by the advance to a fellow subsidiary of approximately HK\$131.1 million.

Year ended 31 December 2010

For the year ended 31 December 2010, the Group's net cash from investing activities was approximately HK\$19.3 million, primarily reflecting the refund of prepaid lease payments of approximately HK\$58.3 million, the repayment from a fellow subsidiary of approximately HK\$37.8 million and additions to investment properties of approximately HK\$60.6 million (which were mainly attributable to the capitalisation of the construction costs in connection with Tianjin Property).

Net Cash from/(used in) financing activities

Six months ended 30 June 2013

For the six months ended 30 June 2013, the Group's net cash used in financing activities was approximately HK\$3.6 million, primarily resulted from net repayment to fellow subsidiaries of approximately HK\$3.2 million.

Year ended 31 December 2012

For the year ended 31 December 2012, the Group's net cash used in financing activities was approximately HK\$33.1 million, primarily reflecting the net repayment to fellow subsidiaries of approximately HK\$31.4 million.

Year ended 31 December 2011

For the year ended 31 December 2011, the Group's net cash used in financing activities was approximately HK\$629.6 million, primarily reflecting net repayment to fellow subsidiaries of approximately HK\$306.2 million, the repayment of bank borrowings of approximately HK\$49.4 million and dividend paid of approximately HK\$270.0 million.

Year ended 31 December 2010

For the year ended 31 December 2010, the Group's net cash from financing activities was approximately HK\$180.9 million, primarily reflecting net advance from fellow subsidiaries of approximately HK\$159.4 million and new bank borrowings raised of approximately HK\$23.6 million.

INDEBTEDNESS

The following table sets forth the Group's total bank borrowings and amounts due to fellow subsidiaries of the Company as at the end of each reporting period. The Group's bank borrowings were principally denominated in Renminbi.

FINANCIAL INFORMATION

	As at 31 December			As at	As at
	2010	2011	2012	30 June	31 July
	HK\$'000	HK\$'000	HK\$'000	2013	2013
				HK\$'000	HK\$'000
					(unaudited)
The bank borrowings were unsecured and repayable as follows:					
Unsecured	<u>47,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount repayable:					
On demand or within one year	<u>47,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amounts due to fellow subsidiaries	<u>1,544,390</u>	<u>1,234,799</u>	<u>1,074,594^(Note)</u>	<u>1,063,653</u>	<u>1,025,741</u>

Note: The balance as at 2012 excludes an amount of approximately HK\$123.3 million owed to the Remaining Parentco Group by the Tianjin Property Company, which was subsequently disposed of by the Group under the TJ Disposal Agreement.

The Group repaid all its bank borrowings in 2011 and the Group did not have any bank borrowing as at 30 June 2013 and 31 July 2013.

The Directors confirm that the Group had no material defaults in payment of trade and non-trade payables and bank borrowings, and did not have any material breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the effective interest rates per annum in respect of the Group's bank borrowings as at the date indicated:

	As at 31 December			As at	As at
	2010	2011	2012	30 June	31 July
				2013	2013
					(unaudited)
Bank borrowings	4.86%– 5.46%	N/A	N/A	N/A	N/A

FINANCIAL INFORMATION

Bank facilities

The below table sets forth the Group's undrawn borrowing facilities as at the end of each reporting period:

	As at 31 December			As at	As at
	2010	2011	2012	30 June	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>	<i>2013</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Floating rate					
— expiring within one year	<u>23,600</u>	<u>74,040</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The Group withdrew the borrowing facilities during the year ended 31 December 2012 due to the completion of renovation works at Tianjin Property.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2010, 2011 and 2012, 30 June 2013 and 31 July 2013.

The Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 31 July 2013 and up to the Latest Practicable Date.

Net current liabilities

The Group's net current liabilities were HK\$1,568.3 million, HK\$1,238.1 million, HK\$643.1 million, HK\$690.7 million and HK\$690.1 million, respectively, as at 31 December 2010, 2011 and 2012, 30 June 2013 and 31 July 2013.

These amounts primarily reflected the amounts owing to fellow subsidiaries of the Group which were unsecured and repayable on demand.

Immediately after the Reorganisation, which was consummated on 26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. Please refer to the section headed "Financial information — Current assets and liabilities — Reversal of net current liability position" above for further details of the repayments to the Remaining Parentco Group by the Group.

As of 31 July 2013, save as aforesaid or as otherwise disclosed in this section headed "Financial Information", the Group did not have outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

FINANCIAL INFORMATION

COMMITMENTS

Capital commitments

The following table sets forth the Group's capital commitments comprising capital expenditure in respect of the acquisition of property, plant and equipment which were authorised but not contracted for or contracted for but not provided in the combined financial statements as at the dates indicated:

	As at 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment:				
— Authorised but not contracted for	674,500	1,100	—	—
— Contracted for but not provided in the combined financial statements	<u>51,724</u>	<u>34,750</u>	<u>28,066</u>	<u>10,671</u>
	<u><u>726,224</u></u>	<u><u>35,850</u></u>	<u><u>28,066</u></u>	<u><u>10,671</u></u>

Other contractual commitments

Save as disclosed above, the Group did not have other contractual obligations during Track Record Period.

CAPITAL EXPENDITURES

Capital expenditure incurred by the Group for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 amounted to approximately HK\$107.8 million, HK\$61.9 million, HK\$20.4 million and HK\$5.8 million, respectively, primarily relating to additions of construction and renovation activities for its investment properties and purchase costs for property, plant and equipment and prepaid lease payments.

The Group's total capital expenditure relating to investment properties for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 amounted to approximately HK\$86.7 million, HK\$60.6 million, HK\$13.6 million and HK\$5.8 million, respectively.

WORKING CAPITAL

As mentioned above, the Group recorded net current liabilities of approximately HK\$1,568.3 million, HK\$1,238.1 million, HK\$643.1 million, HK\$690.7 million and HK\$690.1 million as of 31 December 2010, 2011 and 2012, 30 June 2013 and 31 July 2013, respectively. These amounts primarily reflected the amounts owing to fellow subsidiaries of the Group which were unsecured and repayable on demand.

FINANCIAL INFORMATION

Immediately after the Reorganisation, which was consummated on 26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. Please refer to the section headed “Financial information — Current assets and liabilities — Reversal of net current liability position” above for further details of the repayments to the Remaining Parentco Group by the Group.

The Directors expect to finance the Group’s working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- the bank balances and cash available, which were HK\$211.9 million as of 30 June 2013; and
- the proceeds from the sale of the Group’s interest in Tianjin Property and Harbin Property.

Based on the above, the Directors believe that the Group will have sufficient funds for its present working capital requirements for at least the next 12 months from the date of this prospectus. The Joint Sponsors confirm that they have obtained written confirmation from the Company that the working capital available to the Group is sufficient for at least the next 12 months from the date of publication of the prospectus and they are satisfied that such confirmation has been given after due and careful enquiry by the Company.

FINANCIAL DEVELOPMENT AFTER THE TRACK RECORD PERIOD

Expenses relating to the Listing

During the Track Record Period, the Group incurred expenses relating to the Listing of approximately HK\$15.9 million. Subsequent to 30 June 2013 and up to the Latest Practicable Date, the Group incurred expenses relating to the Listing of approximately HK\$2.6 million. The Group expects to incur additional expenses relating to the Listing of approximately HK\$12.3 million subsequent to the Latest Practicable Date, of which approximately HK\$4.4 million in connection with issue of new Shares will be capitalised upon Listing, and the remaining balance will be charged to the consolidated statement of profit or loss and other comprehensive income of the Company for the year ending 31 December 2013. The Directors consider that the expenses relating to the Listing will have no material impact on the financial position of the Group.

The Group ceased to record net current liabilities

The Group recorded net current liabilities of approximately HK\$1,568.3 million, HK\$1,238.1 million, HK\$643.1 million, HK\$690.7 million and HK\$690.1 million as of 31 December 2010, 2011 and 2012, 30 June 2013 and 31 July 2013, respectively. These amounts primarily resulted from the amounts owing to fellow subsidiaries of the Company, which were unsecured and repayable on demand.

FINANCIAL INFORMATION

Immediately after the Reorganisation which was consummated on 26 August 2013, there was no outstanding amount owing by the Group to the Remaining Parentco Group, and the Group recorded a net current asset of approximately HK\$335.7 million. Please refer to the section headed “Financial information — Current assets and liabilities — Reversal of net current liability position” above for further details. See also the section headed “Risk Factors — Risks relating to the Group’s Business — The Group had net current liabilities during the Track Record Period” of this prospectus for further details.

MAJOR FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
Net profit margin ⁽¹⁾	1,419.0%	991.1%	452.6%	-153.2%	1,748.2%
Return on equity ⁽²⁾⁽⁷⁾	4.5%	40.5%	19.8%	-3.8%	14.1%
Return on total assets ⁽³⁾⁽⁷⁾	0.8%	7.5%	4.4%	-0.7%	3.9%
					As at
					As at 31 December
					30 June
					2013
Current ratio ⁽⁴⁾		0.1	0.1	0.5	0.5
Gearing ratio (taking into account only bank borrowing in the calculation of the numerator) ⁽⁵⁾		1.9%	N/A	N/A	N/A
Gearing ratio (taking into account all borrowings in the calculation of the numerator) ⁽⁶⁾		64.1%	62.4%	49.6%	53.4%

Notes:

- (1) Net profit margin equals to net profit for each year/period divided by turnover of such year/period and multiplied by 100%.
- (2) Return on equity equals net profit for each year/period divided by the closing balance of total equity at the end of the respective year/period and multiplied by 100%.
- (3) Return on total assets equals net profit for each year/period divided by total assets at the end of the respective year/period and multiplied by 100%.
- (4) Current ratio equals to total current assets divided by total current liabilities.
- (5) Gearing ratio is calculated based on bank borrowing divided by total assets at the end of the respective year/period and multiplied by 100%.
- (6) Gearing ratio is calculated based on (i) the aggregate of bank borrowing and amounts due to fellow subsidiaries of the Company divided by (ii) total assets at the end of the respective year/period and multiplied by 100%.
- (7) The calculation for the return for the period ended 30 June 2013 has not been annualised.

FINANCIAL INFORMATION

Net profit margin

Net profit margin for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 was approximately 1,419.0%, 991.1%, 452.6% and 1,748.2%, respectively. Net profit margin decreased in 2011 because net profit margin in 2010 was lifted by a lower turnover which represented one month turnover for December 2010 only. Net profit margin decreased in 2012 was primarily due to absence of realised gain of an investment property holding subsidiary (which held Sun Plaza) recorded in 2011. In the first half of 2012, the Group recorded a loss with negative profit margin of approximately 153.2%. Whereas in the same period of 2013, the Group recorded a net profit margin of approximately 1,748.2%, primarily attributable to realised gain of an investment property holding subsidiary (which held Tianjin Property).

Current ratio

The Group's current ratio as at 31 December 2010, 2011 and 2012 and 30 June 2013 was approximately 0.1, 0.1, 0.5 and 0.5, respectively. The increase from 0.1 in 2011 to 0.5 in 2012 was mainly because Tianjin Property was classified as current assets as at 31 December 2012 after the signing of the TJ Disposal Agreement.

Return on total assets

Return on total assets as at 31 December 2010, 2011 and 2012 and 30 June 2013 was approximately 0.8%, 7.5%, 4.4% and 3.9%, respectively. Return on total assets increased in 2011, primarily due to realised gain of HK\$225.3 million on investment property upon disposal of 90% equity interest in Shenyang Jiajian. Return on total assets decreased as at 31 December 2012 when compared to 31 December 2011, which was mainly because the net profit in 2011 was lifted by the Group's disposal of 90% equity interest in Shenyang Jiajian (which held the entire interest of Sun Plaza). Decrease in return on assets as at 30 June 2013 as compared to 31 December 2012 was mainly due to profit in 2012 was lifted by unrealised gain on investment properties of approximately HK\$182.9 million.

Return on equity

Return on equity as at 31 December 2010, 2011 and 2012 and 30 June 2013 was approximately 4.5%, 40.5%, 19.8% and 14.1%, respectively. Return on equity increased in 2011, which was attributable to realised gain of approximately HK\$225.3 million arising from the disposal of 90% equity interest in Shenyang Jiajian. Return on equity decreased as at 31 December 2012 when compared to 31 December 2011, which was mainly because the net profit in 2011 was lifted by the Group's disposal of 90% equity interest in Shenyang Jiajian (which held the entire interest of Sun Plaza). Decrease in return on equity as at 30 June 2013 as compared to 31 December 2012 was mainly due to the profit in 2012 was lifted by unrealised gain on investment properties of approximately HK\$182.9 million.

FINANCIAL INFORMATION

Gearing ratio

Gearing ratio (taking into account only bank borrowings in the calculation of the numerator and without taking into account financing from fellow subsidiaries of the Company) as at 31 December 2010, 2011 and 2012 and 30 June 2013 was approximately 1.9%, N/A, N/A and N/A, respectively. As the Group did not have any bank borrowings as at 31 December 2011 and 31 December 2012 and 30 June 2013, such gearing ratios for such dates were nil.

Gearing ratio (taking into account all borrowings in the calculation of the numerator) as at 31 December 2010, 2011 and 2012 and 30 June 2013 was approximately 64.1%, 62.4%, 49.6% and 53.4%, respectively. The fact that the gearing ratios as at 31 December 2012 and 2011 were lower than that as at 31 December 2010 was mainly attributable to gradual repayment of amounts due to fellow subsidiaries after receipt of proceeds from disposal of a subsidiary in 2011. The increase in gearing ratio as at 30 June 2013 from 31 December 2012 was mainly due to decrease in current assets following the payment of PRC Enterprise Income Tax of approximately HK\$18.7 million in relation to the disposal of Tianjin Property Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Group has not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. The Group has not entered into any derivative contracts that are indexed to the Shares and classified as equity attributable to Shareholders, or that are not reflected in its financial information. The Group does not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it, or engages in leasing, hedging or research and development services with it.

DIVIDEND AND DIVIDEND POLICY

The Company was incorporated in the Cayman Islands on 5 January 2012 and has not declared or paid any dividends since incorporation. Except for a dividend of HK\$270.0 million distributed to the shareholder of Joyful Cheer during the year ended 31 December 2011, which was fully settled, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period and prior to the Reorganisation. The Group's dividend distribution record in the past should not be used as a reference or basis for determining the level of dividends that may be declared or paid by it in the future.

The declaration of dividends is subject to the discretion of the Directors, and the determination as to the declaration of dividends and the amount of dividends actually declared and paid will depend on various factors, subject to the Company's compliance with Cayman Companies Law, its Articles of Association and other relevant laws and regulations, including

- the Group's general business conditions;
- the Group's financial results;
- the Group's capital requirements;
- payment by the Group's subsidiaries of cash dividends to the Company;

FINANCIAL INFORMATION

- the Group's future prospects;
- interests of the Shareholders; and
- any other factors which the Board may deem relevant.

Under the Articles, the Company may declare, through a general meeting, dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out of the Company's profits, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of its share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

The Company currently intends not to declare any dividends to Shareholders for the first few financial years after Listing, as the Directors consider that it will be in the interest of the Company and the Shareholders as a whole to retain the earnings of the Group for its investment, capital expenditures and working capital requirement for this initial period. Going forward, the Company will re-evaluate its dividend policy in light of its financial position, capital requirement and the prevailing economic climate. If any dividend is to be declared, it will be made at the discretion of the Board as mentioned above.

The PRC laws require that dividends be paid only out of the net profit determined in accordance with the PRC accounting principles which may differ from HKFRSs. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Group's subsidiaries in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group or their subsidiaries in the PRC may enter into in the future.

DISTRIBUTABLE RESERVES

The Company was incorporated on 5 January 2012 and as at 30 June 2013, the Company did not have any distributable reserves available for distribution to the Shareholders.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules, on the basis set forth in the notes below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2013. The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets following completion of the Share Offer:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 ⁽¹⁾ <i>HK\$'000</i>	Estimated net proceeds from the Share Offer ⁽²⁾ <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾⁽⁴⁾ <i>HK\$</i>
Based on an Offer Price of HK\$1.80 per Share	557,457	136,189	693,646	1.67
Based on an Offer Price of HK\$2.43 per Share	557,457	187,536	744,993	1.79

Notes:

- (1) The audited combined net tangible assets of the Group attributable to Shareholders as at 30 June 2013 has been extracted from the audited combined financial information in the accountants' report, the text of which is set out in Appendix I of this prospectus.
- (2) Estimated net proceeds from the Share Offer are based on 83,600,000 Shares to be issued under the Share Offer and the Offer Price of HK\$1.80 and HK\$2.43 per Offer Share, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses payable by the Group in connection with the Share Offer and assuming the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 415,800,000 Shares expected to be in issue assuming that Reorganisation and the Share Offer had been completed on 30 June 2013, but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to the audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2013. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above have not been adjusted to show the effect of the settlement of the amounts due to fellow subsidiaries.

Subsequent to 30 June 2013, as part of the Reorganisation, the amounts due to fellow subsidiaries of approximately HK\$1,025,741,000 have been settled by way of issue of 9,001 shares of the Company (before share sub-division) to satisfy the consideration for acquisition of certain subsidiaries now comprising the Group (the "Settlement"). No pro forma adjustment has been made to the combined net tangible assets of the Group in connection with the Settlement.

FINANCIAL INFORMATION

The amount due to fellow subsidiaries of approximately HK\$1,025,741,000, representing the amounts due by the Group to subsidiaries of Parentco as at 30 June 2013, has been adjusted in the table below for illustrative purposes, after taking into account of the Settlement. The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share after taking into account of the Settlement is arrived at on the basis that 415,800,000 Shares expected to be in issue immediately following the Share Offer, assuming the Reorganisation, the Share Offer and the Settlement (forming part of the Reorganisation) had been completed on 30 June 2013, but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company after taking into account of the Settlement <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share taking into account of the Settlement <i>HK\$</i>
Based on an Offer Price of HK\$1.80 per Share	1,719,387	4.14
Based on an Offer Price of HK\$2.43 per Share	1,770,734	4.26

PROPERTY VALUATION

CBRE Limited, an independent property valuer, has valued the Group's property interests as at 30 June 2013 at approximately HK\$706.4 million. The full text of the letter, summary of values and valuation certificates with regard to such property interests is set out in "Appendix III — Property Valuation" of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would have given rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

QUANTITATIVE AND QUALITATIVE DISCLOSURES RISKS

Credit risks

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting new tenants and no credit period is granted to the tenants. In addition, the Group reviews the recoverable amount of each individual rental receivable regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

FINANCIAL INFORMATION

The Group has concentration of credit risk in relation to amount due from a fellow subsidiary of the Group. In order to minimise the credit risk, the management of the Group have reviewed the recoverability of the amount due from the fellow subsidiary regularly to ensure that follow-up action is taken timely. Besides, Parentco has agreed to provide adequate funds to ensure its subsidiaries are able to meet in full its financial obligations as they fall due for the foreseeable future. In this regard, the management of the Group consider that the credit risk on the balance is significantly reduced.

The Group also has concentration risk by geographic location in relation to its debts which are derived from its operation in the PRC.

The management of the Group considers that there is no significant credit risk on the rental receivables from the Group's major tenants given their strong financial background and good creditability. The remaining rental receivable balances are spread over various tenants.

The Group and Company's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts due to fellow subsidiaries which bear fixed interest rates. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing bank balances and bank borrowing at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the benchmark borrowing rate set by PBOC from its RMB denominated borrowing.

Currency risk

The functional currency of the Company and its major subsidiaries is RMB in which most of their transactions are denominated. The Group and the Company do not have foreign currency transactions during the Track Record Period which expose the Group and the Company to foreign currency risk. However, the Group has certain foreign currency denominated monetary assets and liabilities, mainly in US\$ and HK\$, at the end of each reporting period. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

Liquidity risks

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

FINANCIAL INFORMATION

The Group relies on bank borrowing and advances from fellow subsidiaries as significant sources of liquidities during the Track Record Period. The Group has available unutilised borrowing facilities of approximately HK\$23,600,000 and HK\$74,040,000 as at 31 December 2010 and 31 December 2011 respectively. The Group has voluntarily terminated the borrowing facilities during the year ended 31 December 2012 after the completion of interior renovation work of the investment property located at Tianjin.

MATERIAL ADVERSE CHANGE

There has been no material change to the Group's business model, revenue and cost structure subsequent to 30 June 2013 and up to the Latest Practicable Date. The Directors confirm that there has been no material adverse change in the Group's financial or trading position or prospects since 30 June 2013 and up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

The Group intends to implement the following plans, each of which is discussed in detail in the paragraph headed “Business — Business strategies” of this prospectus:

- To continue developing its existing property portfolio
- To formulate and implement plans to enhance growth in return and capital value
- To continue to look for commercial property development projects and also development projects with residential elements

USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen the Group’s capital base and will provide funding for achieving its business strategy and carrying out its future plans as set out in this section.

Assuming an Offer Price of HK\$2.12 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.80 per Share and HK\$2.43 per Share), the estimated net proceeds of the Share Offer (after deducting related expenses payable by the Group) would be approximately HK\$146.0 million. The Group intends to use the entire net proceeds of approximately HK\$146.0 million (calculated based on the mid-point Offer Price of HK\$2.12 per Share and assuming that Over-allotment Option is not exercised at all) for developing its existing project on Yifu Land.

The Group intends to develop Yifu Land into an 8-storey commercial complex with a three-level basement of a total GFA of approximately 188,252 sq.m. (assuming that the development is subject to a 30-metre height limit). Please see the section headed “Business — Property and property related interests — Prepaid lease payments — Yifu Land” for further details of the development plan.

For carrying out the development project on Yifu Land, the Group will engage third party contractors to carry out various kinds of construction activities, including excavation, piling and foundation, civil works, interior decoration, mechanical and electrical installation and utilities installation. The appointments of third party contractors will be through tendering procedures. Selection of tenderers will be based on factors including their company reputation, job references, financial background, license/certificate attained by the company, management team (e.g. structure, background, experience), project team composition and experience and previous working experience with the Group. Please refer to the section headed “Business — Property acquisition and development” for further details.

To the extent that the net proceeds of the Share Offer and the issue of new Shares under the Over-allotment Option are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions.

The Group will issue an announcement in the Stock Exchange if there is any material change in the use of proceeds described above.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Global Coordinators

BNP Paribas Securities (Asia) Limited
Platinum Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering 8,360,000 Public Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer as mentioned in this prospectus (either unconditionally or subject to such conditions as may be acceptable to the Joint Global Coordinators (for and on behalf of the Public Offer Underwriters)) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (b) certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Price Determination Agreement having been executed by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters)),

the Public Offer Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Public Offer Shares which are being offered but are not taken up under the Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement being signed and becoming unconditional.

UNDERWRITING

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing from the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

1. there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in this prospectus, the Application Forms and the formal notice considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer (the “**Offer Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Document considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer is not, in the sole and absolute opinion of the Joint Global Coordinators, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom which is considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or
 - (iii) any breach, considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer, of any of the obligations imposed upon any party (other than the Joint Global Coordinators or any of the Public Offer Underwriters) to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company, the executive Directors and the Parentco (collectively, the “**Warrantors**”) pursuant to the indemnity provision under the Public Offer Underwriting Agreement and which is considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or
 - (v) any change or development involving a prospective change in the conditions, assets, liabilities, business affairs, prospects, profits, losses or the financial or trading position or performance of the Company or any other member of the Group considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or

UNDERWRITING

- (vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings given by the Warrantors under the Public Offer Underwriting Agreement considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Share Offer; or
 - (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) the Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
 - (ix) any person (other than the Joint Global Coordinators and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
2. there develops, occurs, exists or comes into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza (including H5N1 and H7N9), swine flu (H1N1) or such related or mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including without limitation any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures in or affecting Hong Kong or anywhere in the world); or
 - (iii) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority

UNDERWRITING

in or affecting any of Hong Kong, the PRC, British Virgin Islands, Cayman Islands or any other jurisdictions relevant to any Group Company (together, the “**Specific Jurisdictions**”); or

- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), Japan, the European Union (or any member thereof) or the PRC or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) or on any of the Specific Jurisdictions; or
- (vi) any change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group or any of the Warrantors; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from being a director of a company and/or taking part in the management of a company; or
- (x) any executive Director or the chairman of the Company vacating his/her office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation of any public action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xii) a contravention by any member of the Group of the Companies Ordinance or any of the Listing Rules or the applicable laws; or
- (xiii) a prohibition on the Company for whatever reason from allotting the Offer Shares pursuant to the terms of the Share Offer; or
- (xiv) non-compliance of this prospectus, final offering circular (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

UNDERWRITING

- (xv) the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the subscription of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xvii) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) a petition or an order is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group,

which in each case or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have a materially adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group taken as a whole; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed or to market the Share Offer; or
- (d) would have the effect of making any part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement and the Price Determination Agreement (including underwriting), or any agreement between the Public Offer Underwriters and the Placing Underwriters incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By the Company

The Company has undertaken to the Stock Exchange that the Company shall not issue any further Shares or securities convertible into the Company's equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within

UNDERWRITING

six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholder has undertaken to the Company and to the Stock Exchange that except pursuant to the Distribution, the Share Offer, the Over-allotment Option or the Stock Borrowing Agreement or save for the creation of a pledge or charge referred to below or disposal pursuant to such pledge or charge, it shall not (and it shall procure that companies controlled by it or its nominees or trustees (as the case may be) shall not):

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares or the Company’s securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); and
- (b) in the period of a further six months commencing on the date on which the First Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

The Controlling Shareholder has further undertaken to the Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it, companies controlled by it or its nominees or trustees (as the case may be) pledges or charges any securities or interests in the securities of the Company beneficially owned by it in favor of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules (the “**Permissible Pledge**”), immediately inform the Company in writing of such pledge or charge together with the number of securities in the Company so pledged or charged; and
- (b) when it, companies controlled by it or its nominees or trustees (as the case may be) receives indications, either verbal or written, from the pledgee or chargee that any of the Company’s pledged or charged securities beneficially owned by it will be disposed of, immediately inform the Company in writing of such indications.

UNDERWRITING

The Company will also inform the Stock Exchange as soon as the Company has been informed of the matters mentioned in the paragraphs (a) and (b) above by the Controlling Shareholder and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings to the Public Offer Underwriters

Undertakings by the Company

The Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, and the Public Offer Underwriters that, and each of the other Warrantors has undertaken to procure that except pursuant to the Share Offer and the exercise of the Over-allotment Option, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**UA First Six Months Period**”), the Company will not (and the Company will procure that its subsidiaries will not), without the prior written consent of the Joint Global Coordinators (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to allot or issue, Shares or other securities of the Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants or other rights to subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly any of the Company’s share capital or any securities convertible, exercisable or exchangeable into Shares or other securities of the Company; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, securities of the Company or any interest therein; or
- (iii) offer to or agree to do any of the foregoing or enter into any transaction with the same economic consequences of any of the foregoing or announce any intention to do so;

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise. The Company has further undertaken that, in the event of any transactions described in paragraphs (i), (ii) and (iii) above are carried out during the period of six months immediately following the expiry of the UA First Six Months Period (the “**UA Second Six Months Period**”), the Company will take all reasonable steps to ensure that any such act will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

UNDERWRITING

By the Controlling Shareholder

The Controlling Shareholder has undertaken to each of the Company, the Joint Global Coordinators, the Joint Sponsors and the Public Offer Underwriters that except pursuant to the Distribution, the Share Offer, the Over-allotment Option or the Stock Borrowing Agreement or pursuant to the Permissible Pledge:

- (i) during the UA First Six Months Period, it shall not, and shall procure that the relevant registered holder(s) and/or companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the “**Relevant Securities**”); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;
- (ii) during the UA Second Six Months Period, it shall not, and shall procure that the relevant registered holder(s) and/or companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or companies controlled by it or any nominee or trustee holding in trust for it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder (as defined in the Listing Rules) of the Company;
- (iii) in the event of a disposal of any Relevant Securities or the Company’s securities or any interest therein within UA Second Six Months Period, it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or the Company’s other securities; and
- (iv) it shall, and shall procure that companies controlled by it and nominees or trustees holding in trust for it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder controlled by it of any Shares.

UNDERWRITING

The Controlling Shareholder has further undertaken to each of the Company, the Joint Global Coordinators, the Joint Sponsors and the Public Offer Underwriters that, from the date of the Public Offer Underwriting Agreement up to the expiry of the UA Second Six Months Period, it will:

- (i) when it pledges or charges any securities or interests in the Relevant Securities, immediately inform the Company and the Joint Sponsors in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the Company's securities will be sold, transferred or disposed of, immediately inform the Company and the Joint Sponsors in writing of such indications.

Underwriters' interests in the Group

Save for their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of the Shares or securities or any shares or securities of any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of the Shares or securities or any shares or securities of any other member of the Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement.

The Joint Sponsors' Independence

As at the Latest Practicable Date, BNP Paribas is not independent pursuant to Rule 3A.07(9) of the Listing Rules for the reason that it acted as the financial adviser to Parentco in relation to the Spin-off. Platinum Securities declared its independence from the Company pursuant to Rule 3A.08 of the Listing Rules and satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

PLACING

In connection with the Placing, the Company expects to enter into the Placing Underwriting Agreement on the Price Determination Date with, among others, the Placing Underwriters. It is expected that under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, severally and not jointly, agree to subscribe for the Placing Shares or procure subscribers for the Placing Shares initially being offered pursuant to the Placing. Please see the section headed "Structure and conditions of the Share Offer — The Placing" in this prospectus for further details.

UNDERWRITING

The Company intends to grant, under the Placing Underwriting Agreement, to the Placing Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators on behalf of the Placing Underwriters within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Public Offer to require the Company to issue and allot up to an aggregate of 12,540,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Share Offer and at the Offer Price, to cover, among other things, any over-allocations in the Placing, if any.

TOTAL COMMISSION AND EXPENSES

The Company will pay the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) an underwriting commission of 2.5% on the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer, out of which the Public Offer Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Public Offer Shares reallocated to the Placing, the Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the relevant Placing Underwriters, but not the Public Offer Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.12 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.80 and HK\$2.43 per Share), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Share Offer, are estimated to amount in aggregate to approximately HK\$33.9 million in total, of which approximately HK\$30.9 million are payable by the Company and approximately HK\$3.0 million payable by Parentco.

INDEMNITY

The Company and other Warrantors undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Global Coordinators, the Joint Sponsors and the Public Offer Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by the Company or any of the other Warrantors of the Public Offer Underwriting Agreement.

RESTRICTIONS ON THE OFFER OF SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules is made within seven days of the expiration of the stabilising period.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. BNP Paribas and Platinum Securities are the Joint Global Coordinators of the Share Offer. The Share Offer consists of:

- the Public Offer of initially 8,360,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section headed “The Public Offer”; and
- the Placing of initially 75,240,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below in the section headed “The Placing”) outside the United States in reliance on Regulation S under the U.S. Securities Act.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of the Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the U.S. Securities Act. The Placing Underwriters are soliciting from prospective investors’ indications of interest in acquiring the Placing Shares. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to re-allocation as described below in the section headed “Re-allocation of Offer Shares between the Public Offer and the Placing” in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on or before the Price Determination Date, which is currently scheduled on Thursday, 5 September 2013, or such later date as the Joint Global Coordinators (on behalf of the Underwriters) and the Company may agree but in any event no later than 6:00 p.m. (Hong Kong time) on Friday, 6 September 2013. If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on Friday, 6 September 2013, the Share Offer will not become unconditional and will lapse.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$2.43 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause notice of such a change to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the Company's website at www.lifestyleproperties.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Upon issue of such a notice, the revised Offer Price range will be final and conclusive, and the Offer Price (if agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company) will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn. In the absence of any notice being published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the Company's website at www.lifestyleproperties.com.hk and the website of the Stock Exchange at www.hkexnews.hk of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the indicative Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the Share Offer and the basis of allotment of the Public Offer Shares under the Public Offer on or before Wednesday, 11 September 2013 in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the Company's website at www.lifestyleproperties.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Results of allocations in the Public Offer (including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS) will be made available as described under the section headed "How to apply for the Public Offer Shares — Publication of Results" of this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.43 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$2.43 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$4,908.99 per board lot of 2,000 Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$2.43 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Underwriting Agreements

- (2a) The entering into of the Placing Underwriting Agreement between, among others, the Company and the Placing Underwriter(s);
- (2b) The Offer Price having been duly determined on or before the Price Determination Date; and
- (2c) The obligations of the Underwriters under the Underwriting Agreements remaining and becoming unconditional (or if relevant, as a result of the waiver of any conditions given by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)), and not being terminated in accordance with its terms or otherwise.

Details of the Public Offer Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus. If for any reason, the Placing Underwriting Agreement and the Price Determination Agreement are not entered into, the Share Offer will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in their absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 83,600,000 Shares will initially be made available under the Share Offer, of which 75,240,000 Shares, representing 90.0% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription or purchase under the Placing. The remaining 8,360,000 Shares, representing 10.0% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the Placing will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE PLACING

The Company is initially offering 75,240,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 90.0% of the total number of Shares being initially offered under the Share Offer (before any exercise of the Over-allotment Option), for subscription at the Offer Price by way of Placing. The Placing will be managed by the Joint Global Coordinators and is expected to be fully underwritten by the Placing Underwriter(s) under the terms of the Placing Underwriting Agreement. Pursuant to the Placing, it is expected that the Placing Underwriter(s) or any selling agents which they nominate will, on behalf of the Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the Placing Underwriting Agreement will be executed on or around the Price Determination Date subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company.

Allocation of the Placing Shares to professional, institutional and private investors pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of the Company and its Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interest in the Placing is expected to be

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) on Wednesday, 11 September 2013. The Placing is subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

OVER-ALLOTMENT OPTION

It is expected that under the Placing Underwriting Agreement, the Company will grant the Over-allotment Option to the Joint Global Coordinators (in their sole and absolute discretion) to require the Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer, to allot and issue up to an aggregate of 12,540,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing and/or to satisfy the Platinum Securities obligation to return Shares borrowed under the Stock Borrowing Agreement. Platinum Securities may also cover any over-allocations under the Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 20.1% of the Company’s enlarged issued share capital immediately after completion of the Share Offer. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent about 22.4% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in English in The Standard and in Chinese in Hong Kong Economic Journal. Based on an Offer Price of HK\$2.12 per Offer Share (being the mid-point of the Offer Price range between HK\$1.80 per Offer Share and HK\$2.43 per Offer Share), the net proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be about HK\$146.0 million. If the Over-allotment Option is exercised in full, assuming that the Offer Price is fixed at the said mid-point of HK\$2.12, the Company will receive additional net proceeds of about HK\$25.9 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option. The Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriter(s) to professional, institutional and private investors. Investors may either apply for the Shares under the Public Offer or indicate an interest for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing. The Offer Shares are not available for subscription by the Directors, chief executive of the Company, existing beneficial owners of the Shares or their respective associates.

THE PUBLIC OFFER

The Company is initially offering, at the Offer Price, 8,360,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 10.0% of the total number of Shares being

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

initially offered under the Share Offer, for subscription under the Public Offer (before any exercise of the Over-allotment Option). The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement and subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (on behalf of the Underwriters) and the Company.

Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the relevant Application Form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of initially 4,180,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications and any application made for more than 100% of the Public Offer Shares initially available under either pool A or pool B will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allotment of the Public Offer Shares

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

(with successful applicants' identification document numbers, where appropriate) are expected to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) on Wednesday, 11 September 2013.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing. Multiple applications or suspected multiple applications or applications for more than 100% of the Public Offer Shares in either pool A or pool B being initially offered for public subscription under the Public Offer (i.e. to apply for more than 4,180,000 Public Offer Shares) are liable to be rejected.

The Public Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for in the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 16,720,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 25,080,000 Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 25,080,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 33,440,000 Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer;
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 33,440,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 41,800,000 Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer; and
- (d) in each of the above cases, the number of Shares allocated to the Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

In all cases, the additional Shares re-allocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Joint Global Coordinators have the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed and purchased, the Joint Global

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Coordinators have the authority to re-allocate all or any unsubscribed and unpurchased Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. The Public Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Wednesday, 11 September 2013.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

In connection with the Share Offer, Platinum Securities, as stabilising manager, or any person acting for it (on behalf of the Underwriters and not as agent for the Company) may over-allocate Shares or effect transactions with a view to stabilising and maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period commencing from the Listing Date and up to the 30th day after the last day for the lodging of applications under the Public Offer. However, there is no obligation on Platinum Securities or any person acting for it to conduct any such stabilisation action which, if commenced, may be discontinued at any time at the sole and absolute discretion of Platinum Securities, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 12,540,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Public Offer ("**Stabilisation Period**"). The Stabilisation Period is expected to expire on Saturday, 5 October 2013 and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall.

During the Stabilisation Period, Platinum Securities as stabilising manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with any such stabilisation actions as described above, Platinum Securities as stabilising manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. They may close out any such short position by (among other methods) exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Platinum Securities may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which Platinum Securities will maintain such a position during the Stabilisation Period, are at the sole discretion of Platinum Securities and is uncertain. In the event that Platinum Securities liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

In order to facilitate the settlement of over-allocations, Platinum Securities, as the stabilising manager, or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

In this connection, Platinum Securities is expected to enter into the Stock Borrowing Agreement with Parentco whereby Platinum Securities may borrow up to 12,540,000 Shares from Parentco, equivalent to the maximum number of additional Shares to be issued upon exercise in full of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholder following a new listing, provided the following requirements under Rule 10.07(3) of the Listing Rules are complied with:

- the Stock Borrowing Agreement will only be effected by Platinum Securities for covering any short position arising from over-allocations under the Placing prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Parentco will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Parentco or its nominees on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on which the Over-allotment Option may be exercised, and (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Parentco in relation to the Stock Borrowing Agreement.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (other than qualified domestic institutional investors).

If you apply online through the **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 2 September 2013 to 12:00 noon on Thursday, 5 September 2013 from:

- (i) any of the following offices of the Joint Bookrunners:

BNP Paribas Securities (Asia) Limited 59th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

Platinum Securities Company Limited 21/F, LHT Tower, 31 Queen's Road Central, Hong Kong

- (ii) any of the following branches of the Standard Chartered Bank (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	Des Voeux Road	Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Central
	88 Des Voeux Road Quarry Bay	88 Des Voeux Road Central, Central G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Yun Ping Road	G/F to 2/F, Fortune Centre, 44-48 Yun Ping Road, Causeway Bay

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

	Branch	Address
Kowloon	Kwun Tong Hoi Yuen Road Mongkok	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
	Tsimshatsui	G/F, 8A–10 Granville Road, Tsimshatsui
	New Territories	Tsuen Wan
Metroplaza		Shop No. 175–176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
New Town Plaza		Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 2 September 2013 until 12:00 noon on Thursday, 5 September 2013 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Lifestyle Properties Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, 2 September 2013 — 9:00 a.m. to 5:00 p.m.
Tuesday, 3 September 2013 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 September 2013 — 9:00 a.m. to 5:00 p.m.
Thursday, 5 September 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 5 September 2013, the last application day or such later time as described in "Effect of Bad Weather Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association of the Company;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Memorandum and Articles of Association of the Company;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s)

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the White Form eIPO Service by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the White Form eIPO Service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 2 September, 2013 until 11:30 a.m. on Thursday, 5 September 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 5 September 2013 or such later time under the “Effects of Bad Weather Conditions on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of the **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Lifestyle Properties Development Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum and Articles of Association of the Company; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum indicative Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum indicative Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 2 September 2013	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 3 September 2013	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 4 September 2013	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 5 September 2013	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 2 September 2013 until 12:00 noon on Thursday, 5 September 2013 (24 hours daily, except on the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 5 September 2013, the last application day or such later time as described in “Effect of Bad Weather Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 5 September 2013.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum indicative Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer”.

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 September 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 5 September 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 11 September 2013 in The Standard (in English) and Hong Kong Economic Journal (in Chinese) on the Company’s website at www.lifestyleproperties.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.lifestyleproperties.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 11 September 2013;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 11 September 2013 to midnight on Tuesday, 17 September 2013;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 and 10:00 p.m. from Wednesday, 11 September 2013 to Saturday, 14 September 2013 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 11 September 2013 to Friday, 13 September 2013 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through White Form eIPO Service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.43 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 11 September 2013.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum indicative Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 11 September 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 12 September 2013 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 September 2013 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 11 September 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 11 September 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 11 September 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 September 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 September 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 11 September 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 11 September 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Wednesday, 11 September 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 September 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 September 2013. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum indicative Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 September 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港
金鐘道88號
太古廣場一座35樓

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

2 September 2013

The Directors
Lifestyle Properties Development Limited
BNP Paribas Securities (Asia) Limited
Platinum Securities Company Limited

Dear Sirs,

We set out below our report on the financial information (the **"Financial Information"**) regarding Lifestyle Properties Development Limited (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**) for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 (the **"Track Record Period"**), for inclusion in the prospectus of the Company dated 2 September 2013 (the **"Prospectus"**) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) (the **"Listing"**).

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law in the Cayman Islands on 5 January 2012. Through a group reorganisation as more fully explained under section headed "Reorganisation" in the Prospectus (the **"Reorganisation"**), the Company has since 14 August 2013 become the holding company of the companies comprising the Group.

At the end of the respective reporting period and the date of this report, the Company has interests in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the owners of the Company (note a)				At the date of report	Principal activities
			At 31 December 2010	2011	2012	At 30 June 2013		
City Vision Limited 城景有限公司 ("City Vision")	Hong Kong 10 August 2012	Share capital Hong Kong dollar ("HK\$") 1	—	—	100%	100%	100%	Investment holding
Ever Better Limited 粵佳有限公司 ("Ever Better")	Hong Kong 15 June 2007	Share capital HK\$1	100%	100%	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the owners of the Company (note a)				At the date of report	Principal activities
			At 31 December 2010	2011	2012	2013		
Forth Soar Limited 進昇有限公司 ("Forth Soar")	British Virgin Islands ("BVI") 13 August 2012	Share capital United States dollar ("US\$") 1	—	—	100%	100%	100%	Investment holding
Gain High Limited 高利有限公司 ("Gain High")	Hong Kong 9 April 2009	Share capital HK\$1	100%	100%	100%	100%	100%	Property investment
Gold Target Limited 高標有限公司 ("Gold Target")	Hong Kong 17 September 2007	Share capital HK\$1	100%	100%	100%	100%	100%	Investment holding
Good Insight Limited 華軒有限公司 ("Good Insight")	BVI 18 May 2007	Share capital US\$1	100%	100%	100%	100%	100%	Investment holding
Joyful Cheer Limited 怡樂有限公司 ("Joyful Cheer")	Hong Kong 6 October 2006	Share capital HK\$1	100%	100%	100%	100%	100%	Investment holding
Joyous Wing Limited 榮熹有限公司 ("Joyous Wing")	BVI 16 May 2007	Share capital US\$1	100%	100%	100%	100%	100%	Investment holding
Leadplus International (Hong Kong) Limited 領加國際(香港)有限公司 ("Leadplus HK")	Hong Kong 5 March 2008	Share capital HK\$1	100%	100%	100%	100%	100%	Investment holding
Leadplus International Limited 領加國際有限公司 ("Leadplus BVI")	BVI 28 March 2006	Share capital US\$1	100%	100%	100%	100%	100%	Investment holding
Lifestyle Properties Services Limited 利福地產服務有限公司 ("Lifestyle Properties Services")	Hong Kong 12 November 2012	Share capital HK\$1	—	—	100%	100%	100%	Secretarial services and trademark holder
Silver Joy Limited 銀怡有限公司 ("Silver Joy")	Hong Kong 2 February 2007	Share capital HK\$1	100%	100%	100%	100%	100%	Investment holding
Sonic Plus Limited 嘉昇有限公司 ("Sonic Plus")	BVI 30 May 2007	Share capital US\$1	100%	100%	100%	100%	100%	Investment holding
Statevalue Limited ("Statevalue")	BVI 30 January 2009	Share capital US\$1	100%	100%	100%	100%	100%	Investment holding
Swift Rich Holdings Limited 捷富控股有限公司 ("Swift Rich")	BVI 11 November 2011	Share capital US\$1	—	100%	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the owners of the Company (note a)				At the date of report	Principal activities
			At 31 December 2010	2011	2012	2013		
Total Prestige Holdings Limited 全耀控股有限公司 ("Total Prestige")	BVI 18 November 2011	Share capital US\$1	—	100%	100%	100%	100%	Investment holding
Upper Vision Limited 上景有限公司 ("Upper Vision")	Hong Kong 15 June 2007	Share capital HK\$1	100%	100%	100%	100%	100%	Investment holding
利晨企業管理諮詢(上海)有限公司# Lichen Enterprise Management Consulting (Shanghai) Co. Limited* ("Lichen Company")	The People's Republic of China (the "PRC") 18 December 2012	Registered capital Renminbi ("RMB") 2,000,000	—	—	100%	100%	100%	Consultancy services
利華佳商廈(天津)有限公司# (formerly known as 天津伊都錦商廈有限公司) Li Hua Jia Commercial Building (Tianjin) Co., Ltd. ("Li Hua Jia (Tianjin)")	PRC 7 August 1996	Registered capital US\$40,000,000	100%	100%	100%	— (note b)	— (note b)	Property investment
哈爾濱利福商廈有限公司# (formerly known as 哈爾濱伊都錦商廈有限公司) Lifestyle Plaza (Harbin) Co., Ltd.* ("Lifestyle Plaza (Harbin)")	PRC 16 October 1995	Registered capital US\$18,000,000	100%	100%	100%	100%	100%	Property investment
嘉標商廈(青島)有限公司# (formerly known as 青島伊都錦商廈有限公司) Lifestyle Plaza (Qingdao) Co., Limited* ("Lifestyle Plaza (Qingdao)")	PRC 31 December 1995	Registered capital RMB225,000,000	100%	100%	100%	100%	100%	Property investment
瀋陽怡富置業有限公司# Shenyang Yifu Company Limited* ("Shenyang Yifu")	PRC 12 March 2007	Registered capital US\$74,990,000	100%	100%	100%	100%	100%	Property development
瀋陽佳建置業開發有限公司# Shenyang Jiajian Property Development Company Limited* ("Shenyang Jiajian")	PRC 20 June 2006	Registered capital RMB277,500,000	100%	10% (note c)	10%	10%	10%	Property development

* The English name is translated for identification purpose only.

These companies are wholly foreign-owned enterprises established in the PRC.

Notes:

(a) Total Prestige is directly held by the Company. Other subsidiaries are indirectly held by the Company.

- (b) On 31 December 2012, the Group entered into a sale and purchase agreement to dispose of the entire equity interest in Li Hua Jia (Tianjin) to an independent third party. The disposal was completed on 25 April 2013. Details are disclosed in notes 24 and 33 of Section E.
- (c) During the year ended 31 December 2011, the Group disposed of its 90% equity interests in Shenyang Jiajian to an independent third party. Details are disclosed in note 33 of Section E.

The Company and all of the above subsidiaries are limited liability companies and have adopted 31 December as the financial year end date except for Leadplus HK which changed the financial year end date from 31 March to 31 December during the financial year ended 31 December 2010.

The statutory financial statements of the following companies for the Track Record Period were prepared in accordance with relevant accounting principles and financial reporting framework applicable to the PRC enterprises and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) as appropriate, and were audited by the following certified public accountants registered in the PRC and Hong Kong, respectively:

Name	Financial year	Name of auditor
City Vision	For the period from 10 August 2012 (date of incorporation) to 31 December 2012	Deloitte Touche Tohmatsu
Ever Better	For each of the three years ended 31 December 2012	Deloitte Touche Tohmatsu
Gain High	For each of the three years ended 31 December 2012	Deloitte Touche Tohmatsu
Gold Target	For each of the three years ended 31 December 2012	Deloitte Touche Tohmatsu
Joyful Cheer	For each of the three years ended 31 December 2012	Deloitte Touche Tohmatsu
Leadplus HK	For the year ended 31 March 2010	Deloitte Touche Tohmatsu
	For the nine months ended 31 December 2010	Deloitte Touche Tohmatsu
	For each of the two years ended 31 December 2012	Deloitte Touche Tohmatsu

Name	Financial year	Name of auditor
Li Hua Jia (Tianjin)	For each of the two years ended 31 December 2011	北京興華會計師事務所有限 責任公司上海分所
	For the year ended 31 December 2012	天津市瑞泰有限責任會計師 事務所
Lifestyle Plaza (Harbin)	For each of the three years ended 31 December 2012	黑龍江博元會計師事務所 有限公司
Lifestyle Plaza (Qingdao)	For each of the three years ended 31 December 2012	青島振青會計師事務所 有限公司
Lifestyle Properties Services	For the period from 12 November 2012 (date of incorporation) to 31 December 2012	Deloitte Touche Tohmatsu
Shenyang Yifu	For each of the three years ended 31 December 2012	遼寧華清會計師事務所 有限公司
Shenyang Jiajian	For the year ended 31 December 2010	遼寧華清會計師事務所 有限公司
	For the year ended 31 December 2011	遼寧得慧鑫永聯合 會計師事務所
	For the year ended 31 December 2012	遼寧華清會計師事務所 有限公司
Silver Joy	For each of the three years ended 31 December 2012	Deloitte Touche Tohmatsu
Upper Vision	For each of the three years ended 31 December 2012	Deloitte Touche Tohmatsu

We have acted as the auditor of the Company since its date of incorporation. As at the date of this report, no statutory financial statements have been prepared for the Company, Lichen Company and those companies which were incorporated in the BVI as either their first year statutory financial statements have not yet due to be issued or they are incorporated in jurisdiction where there is no statutory audit requirement. We have, however, reviewed all relevant transactions of the Company, Lichen Company and those companies which were incorporated in the BVI over the Track Record Period or since their respective dates of

incorporation or establishment and carried out such procedures as we considered necessary for inclusion of the financial information of these companies in the Financial Information relating to the Group.

For the purpose of this report, the directors of Good Insight, Joyful Cheer, Joyous Wing, Silver Joy, Sonic Plus and Statevalue have prepared their respective consolidated financial statements for the Track Record Period in accordance with **HKFRSs** issued by the **HKICPA** (the "**Holding Companies Financial Statements**"). We have audited the Holding Companies Financial Statements for the Track Record Period in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and examined the Holding Companies Financial Statements and management accounts of the Company, City Vision, Forth Soar, Lichen Company, Lifestyle Properties Services, Total Prestige and Swift Rich (collectively referred to as the "**Underlying Financial Statements**") for the Track Record Period in accordance with the Auditing Guideline 3.340 "Prospectuses and Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section E of the Financial Information, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approve their issue. The directors of the Company are responsible for the contents of the Prospectus 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, on the basis of presentation set out in note 2 of Section E, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2012 and 30 June 2013 and of the Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 and of the combined results and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 June 2012 together with the notes thereon (the "**June 2012 Financial Information**") have been extracted from the Group's unaudited combined financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 2012 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the June 2012 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe

that the June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section E Notes	THE GROUP				
		Year ended 31 December			Six months ended 30 June	
		2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Turnover	8	1,424	14,950	20,809	8,664	4,490
Operating expenses		(14,192)	(24,753)	(20,317)	(10,445)	(7,374)
Other income, gains and losses	9	53,476	59,218	18,959	(5,347)	28,771
Staff costs	12	(9,059)	(12,761)	(10,308)	(5,480)	(3,129)
Depreciation and amortisation		(2,825)	(3,021)	(3,495)	(1,744)	(975)
Investment properties						
— realised gain on disposals of investment properties		1,128	1,564	1,498	339	—
— realised gain on disposals of an investment property holding subsidiary	33	—	225,262	—	—	56,916
— unrealised fair value change		62,026	94,417	182,922	4,365	6,297
Fair value changes on financial assets at fair value through profit or loss		—	750	(6,003)	4,008	(737)
Other expenses		—	—	(12,594)	—	(3,304)
Finance costs	10	(2,167)	(4,032)	(1,711)	(840)	(409)
Profit (loss) before taxation		89,811	351,594	169,760	(6,480)	80,546
Taxation	11	(69,604)	(203,425)	(75,569)	(6,790)	(2,051)
Profit (loss) for the year/period attributable to owners of the Company	12	20,207	148,169	94,191	(13,270)	78,495
Other comprehensive income (expense) attributable to owners of the Company:						
Item that will not be reclassified to profit or loss:						
Exchange differences arising on translation of functional currency to presentation currency		19,972	30,950	11,650	(6,985)	2,865
Total comprehensive income (expense) for the year/period attributable to owners of the Company		40,179	179,119	105,841	(20,255)	81,360

B. STATEMENTS OF FINANCIAL POSITIONS

	Section E Notes	THE GROUP				THE COMPANY		
		At 31 December			At	At	At	
		2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	30 June 2013 HK\$'000	31 December 2012 HK\$'000	30 June 2013 HK\$'000	
Non-current assets								
Investment properties	16	1,609,018	1,147,261	684,397	706,427	—	—	
Property, plant and equipment	17	14,831	13,483	2,769	1,831	—	—	
Properties under development		3,062	5,235	6,083	8,371	—	—	
Prepaid lease payments	18	652,150	680,601	685,871	695,881	—	—	
Investment in a subsidiary	19	—	—	—	—	—	—	
		<u>2,279,061</u>	<u>1,846,580</u>	<u>1,379,120</u>	<u>1,412,510</u>	<u>—</u>	<u>—</u>	
Current assets								
Rental and other receivables	20	35,684	3,994	991	336,818	—	—	
Amount due from a fellow subsidiary	21	—	37,876	—	—	—	—	
Amount due from a subsidiary	19	—	—	—	—	38	584	
Financial assets at fair value through profit or loss	22	—	35,815	29,812	29,075	—	—	
Bank balances and cash	23	<u>167,225</u>	<u>53,684</u>	<u>87,225</u>	<u>211,866</u>	<u>848</u>	<u>1,057</u>	
		<u>202,909</u>	<u>131,369</u>	<u>118,028</u>	<u>577,759</u>	<u>886</u>	<u>1,641</u>	
Assets classified as held for sale	24	—	—	<u>667,335</u>	—	—	—	
		<u>202,909</u>	<u>131,369</u>	<u>785,363</u>	<u>577,759</u>	<u>886</u>	<u>1,641</u>	
Current liabilities								
Provisions	25	142,125	—	—	—	—	—	
Other payables and rental deposits received	26	37,466	18,923	46,972	4,982	7,669	2,992	
Amounts due to fellow subsidiaries	27	1,544,390	1,234,799	1,074,594	1,063,653	5,898	14,633	
Taxation payable		—	115,773	117,573	199,806	—	—	
Bank borrowing — due within one year	28	<u>47,200</u>	—	—	—	—	—	
		<u>1,771,181</u>	<u>1,369,495</u>	<u>1,239,139</u>	<u>1,268,441</u>	<u>13,567</u>	<u>17,625</u>	
Liabilities associated with assets classified as held for sale	24	—	—	<u>189,359</u>	—	—	—	
		<u>1,771,181</u>	<u>1,369,495</u>	<u>1,428,498</u>	<u>1,268,441</u>	<u>13,567</u>	<u>17,625</u>	
Net current liabilities		<u>(1,568,272)</u>	<u>(1,238,126)</u>	<u>(643,135)</u>	<u>(690,682)</u>	<u>(12,681)</u>	<u>(15,984)</u>	
Total assets less current liabilities		<u>710,789</u>	<u>608,454</u>	<u>735,985</u>	<u>721,828</u>	<u>(12,681)</u>	<u>(15,984)</u>	
Non-current liability								
Deferred tax liabilities	29	<u>259,619</u>	<u>242,594</u>	<u>260,809</u>	<u>164,371</u>	—	—	
Net assets (liabilities)		<u>451,170</u>	<u>365,860</u>	<u>475,176</u>	<u>557,457</u>	<u>(12,681)</u>	<u>(15,984)</u>	

	<i>Section E</i>	THE GROUP			THE COMPANY		
		At 31 December			At	At	At
		2010	2011	2012	30 June	31 December	30 June
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Capital and reserves							
Share capital	30	—	—	—	—	—	
Reserves	31	451,170	365,860	332,163	557,457	(12,681)	
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale							
		—	—	143,013	—	—	
		<u>451,170</u>	<u>365,860</u>	<u>475,176</u>	<u>557,457</u>	<u>(12,681)</u>	
						<u>(15,984)</u>	

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000 (note b)	Exchange reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2010	—	5,555	100,609	41,321	257,964	405,449
Profit for the year	—	—	—	—	20,207	20,207
Other comprehensive income for the year	—	—	—	19,972	—	19,972
Total comprehensive income for the year	—	—	—	19,972	20,207	40,179
Deemed contribution from LIHL (note a)	—	5,542	—	—	—	5,542
At 31 December 2010	—	11,097	100,609	61,293	278,171	451,170
Profit for the year	—	—	—	—	148,169	148,169
Other comprehensive income for the year	—	—	—	30,950	—	30,950
Total comprehensive income for the year	—	—	—	30,950	148,169	179,119
Reclassification of exchange differences upon disposal of a subsidiary	—	—	—	(36,067)	36,067	—
Deemed contribution from LIHL (note a)	—	5,571	—	—	—	5,571
Dividend paid (note 14)	—	—	—	—	(270,000)	(270,000)
At 31 December 2011	—	16,668	100,609	56,176	192,407	365,860
Profit for the year	—	—	—	—	94,191	94,191
Other comprehensive income for the year	—	—	—	11,650	—	11,650
Total comprehensive income for the year	—	—	—	11,650	94,191	105,841
Deemed contribution from LIHL (note a)	—	3,475	—	—	—	3,475
At 31 December 2012	—	20,143	100,609	67,826	286,598	475,176
Profit for the period	—	—	—	—	78,495	78,495
Other comprehensive income for the period	—	—	—	2,865	—	2,865
Total comprehensive income for the period	—	—	—	2,865	78,495	81,360
Reclassification of exchange differences upon disposal of a subsidiary (note 33)	—	—	—	(42,380)	42,380	—
Reclassification of asset revaluation reserve upon disposal of a subsidiary (note 33)	—	—	(100,609)	—	100,609	—
Deemed contribution from LIHL (note a)	—	921	—	—	—	921
At 30 June 2013	—	21,064	—	28,311	508,082	557,457
At 1 January 2012	—	16,668	100,609	56,176	192,407	365,860
Loss for the period	—	—	—	—	(13,270)	(13,270)
Other comprehensive expense for the period	—	—	—	(6,985)	—	(6,985)
Total comprehensive expense for the period	—	—	—	(6,985)	(13,270)	(20,255)
Deemed contribution from LIHL (note a)	—	2,326	—	—	—	2,326
At 30 June 2012 (unaudited)	—	18,994	100,609	49,191	179,137	347,931

Notes:

- (a) During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, certain directors' and key managements' remuneration and staff costs (including share option awards in note 32) of the corporate function (the "**Remuneration**") amounting to HK\$5,542,000, HK\$5,571,000, HK\$3,475,000, HK\$2,326,000 (unaudited) and HK\$921,000, respectively, was borne by Lifestyle International Holdings Limited ("**LIHL**") and not recharged to the subsidiaries of the Group. The amounts were expensed by the Group and recognised as deemed contribution from LIHL and credited to capital reserve.

The Remuneration recognised by the Group was estimated by reference to the involvement of the respective personnel in the operation of the Group during the Track Record Period.

- (b) The asset revaluation reserve represented the transfer of certain property, plant and equipment and prepaid lease payments of the Group to investment properties. Upon the transfer to investment properties, the respective property, plant and equipment and prepaid lease payments were revalued at fair value with the surplus on revaluation after setting off associated deferred tax credited to asset revaluation reserve. The asset revaluation reserve had been transferred directly to retained profits when corresponding property, plant and equipment and prepaid lease payments of the Group had been disposed.

D. COMBINED STATEMENTS OF CASH FLOWS

	THE GROUP				
	Year ended 31 December			Six months ended	
	2010	2011	2012	2012	2013
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
				(unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before taxation	89,811	351,594	169,760	(6,480)	80,546
Adjustments for:					
Remuneration (deemed contribution from LIHL)	5,542	5,571	3,475	2,326	921
Interest income	(361)	(1,770)	(336)	(11)	(455)
Unrealised exchange (gain) loss	(52,825)	(46,241)	(8,237)	10,647	(22,225)
Interest expenses	2,167	4,032	1,711	840	409
Depreciation of property, plant and equipment	2,825	3,021	3,495	1,744	975
Loss on disposal of property, plant and equipment	548	147	1,067	—	—
Fair value changes on investment properties					
— realised gain	(1,128)	(1,564)	(1,498)	(339)	—
— unrealised gain	(62,026)	(94,417)	(182,922)	(4,365)	(6,297)
Realised gain on disposal of an investment property holding subsidiary	—	(225,262)	—	—	(56,916)
Fair value changes on financial assets at fair value through profit or loss	—	(750)	6,003	(4,008)	737
Operating cash flows before movements in working capital	(15,447)	(5,639)	(7,482)	354	(2,305)
Additions to properties under development	(2,200)	(3,083)	(947)	—	(2,213)
(Increase) decrease in rental and other receivables	(29,948)	30,613	108	(725)	(8,817)
(Decrease) increase in other payables and rental deposits received	(23,483)	41,736	2,483	(303)	(6,261)
Cash (used in) generated from operations	(71,078)	63,627	(5,838)	(674)	(19,596)
Interest received	361	1,770	336	11	455
PRC Enterprise Income Tax paid	—	(38,400)	—	—	(18,896)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(70,717)	26,997	(5,502)	(663)	(38,037)

		THE GROUP				
		Year ended 31 December			Six months ended	
Section E		2010	2011	2012	2012	2013
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)				
INVESTING ACTIVITIES						
	Additions to investment properties	(60,609)	(82,175)	(16,861)	(199)	(5,820)
	Purchase of property, plant and equipment	(146)	(1,324)	(6,775)	(2,178)	—
	Additions to prepaid lease payments	(20,918)	—	—	—	—
	Proceeds from disposal of investment properties	4,889	13,553	23,748	6,390	—
	Proceeds from disposal of property, plant and equipment	22	91	316	—	—
	Refund of prepaid lease payments	58,257	—	—	—	—
	Deposit received from disposal of a subsidiary	—	—	37,320	—	—
33	Proceed from disposal of a subsidiary	—	596,726	—	—	167,718
	Advance to a fellow subsidiary	—	(131,147)	(43,745)	(43,745)	—
	Repayment from a fellow subsidiary	37,760	93,271	81,928	611	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<u>19,255</u>	<u>488,995</u>	<u>75,931</u>	<u>(39,121)</u>	<u>161,898</u>
FINANCING ACTIVITIES						
	Loan from fellow subsidiaries	434,221	328,547	29,706	4,756	74,929
	Repayment to fellow subsidiaries	(274,777)	(634,759)	(61,093)	(6,846)	(78,166)
	Interest expenses paid	(2,167)	(4,032)	(1,711)	(840)	(409)
	New bank borrowing raised	23,600	—	—	—	—
	Repayment of bank borrowing	—	(49,360)	—	—	—
	Dividend paid	—	(270,000)	—	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		<u>180,877</u>	<u>(629,604)</u>	<u>(33,098)</u>	<u>(2,930)</u>	<u>(3,646)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		129,415	(113,612)	37,331	(42,714)	120,215
	Effect of foreign exchange rate changes	625	71	15	(179)	621
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		<u>37,185</u>	<u>167,225</u>	<u>53,684</u>	<u>53,684</u>	<u>91,030</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		<u>167,225</u>	<u>53,684</u>	<u>91,030</u>	<u>10,791</u>	<u>211,866</u>
REPRESENTED BY:						
	BANK BALANCES AND CASH	167,225	53,684	87,225	10,791	211,866
	BANK BALANCES AND CASH INCLUDED IN ASSETS CLASSIFIED AS HELD FOR SALE	—	—	3,805	—	—
		<u>167,225</u>	<u>53,684</u>	<u>91,030</u>	<u>10,791</u>	<u>211,866</u>

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law in the Cayman Islands on 5 January 2012.

The addresses of the office and the principle place of business of the Company are set out in section headed "Corporate Information" to the Prospectus. The Company acts as an investment holding company and its subsidiaries are principally engaged in property investment and development.

During the Track Record Period and at the date of this report, the ultimate holding company and immediate holding company of the Company are Real Reward Limited ("**Real Reward**"), a company which was incorporated in the BVI, and LIHL, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange, respectively.

The functional currency of the Company and the entities comprising the Group is RMB while the Financial Information is presented in HK\$, which the management of the Group considered is more beneficial for the users of the Financial Information as the Company proposes to list its shares on the Stock Exchange.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

To effect the reorganisation for the purpose of applying the listing of the shares of the Company on the Stock Exchange, the Reorganisation underwent the following major steps:

- (a) On 18 November 2011, Total Prestige was incorporated in BVI and authorised to issue a maximum of 50,000 shares of US\$1 each. On 12 December 2011, one share in Total Prestige was allotted and issued to LIHL for cash at par. On 11 November 2011, Swift Rich was incorporated in the BVI and authorised to issue a maximum of 50,000 shares of US\$1 each. On 12 December 2011, one share in Swift Rich was allotted and issued to Total Prestige for cash at par.
- (b) On 5 January 2012, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$380,000 divided into 380,000 shares of HK\$1 each. On the same date, one share of HK\$1 in the Company was issued to the initial subscriber, Codan Trust Company (Cayman) Limited, for cash at par, which subscriber share was then transferred to LIHL at par.
- (c) On 9 July 2012, the Company acquired the entire issued share capital of Total Prestige from LIHL for a cash consideration of US\$1.
- (d) On 11 July 2012, Swift Rich acquired the entire issued share capital of Silver Joy from Herosmart Investments Limited ("**Herosmart**"), a wholly-owned subsidiary of LIHL, for a consideration of HK\$1 and satisfied by the issue of one new share of the Company to LIHL as directed by Herosmart.
- (e) On 13 August 2012, Forth Soar was incorporated in BVI and authorised to issue a maximum of 50,000 shares of US\$1 each. On 5 September 2012, one share in Forth Soar was allotted and issued to Total Prestige for cash at par.

On 10 August 2012, City Vision was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. On 10 August 2012, one share of HK\$1 in City Vision was allotted and issued to the founder member, Ready-Made Company Limited, for cash at par, which share was then transferred to Forth Soar at par on 5 September 2012.
- (f) On 12 November 2012, Lifestyle Properties Services was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. On 12 November 2012, one share of HK\$1 in Lifestyle Properties Services was allotted and issued to the founder member, Ready-Made Company Limited, for cash at par, which share was then transferred to Forth Soar at par on 15 November 2012.

- (g) On 18 December 2012, Lichen Company was established in the PRC with a registered capital of RMB2,000,000, approximately 15% of which was paid up by City Vision on 14 March 2013.
- (h) On 9 August 2013, Swift Rich acquired the entire issued share capital of Joyful Cheer from Herosmart for a consideration of HK\$1.
- (i) On 14 August 2013, Total Prestige acquired from Beauty Power Limited ("**Beauty Power**"), a wholly-owned subsidiary of LIHL, the entire issued share capital of Sonic Plus and the benefits of a loan owed by Sonic Plus to Beauty Power for a consideration of approximately HK\$109,928,000 and satisfied by the issue of 1,000 new shares of the Company to LIHL as directed by Beauty Power.
- (j) On 14 August 2013, Total Prestige acquired from Beauty Power the entire issued share capital of Joyous Wing and the benefits of a loan owed by Joyous Wing to Beauty Power for a consideration of approximately HK\$141,123,000 and satisfied by the issue of 1,000 new shares of the Company to LIHL as directed by Beauty Power.
- (k) On 14 August 2013, Total Prestige acquired from Beauty Power the entire issued share capital of Good Insight and the benefits of a loan owed by Good Insight to Beauty Power for a consideration of approximately HK\$774,690,000 and satisfied by the issue of 7,000 new shares of the Company to LIHL as directed by Beauty Power.
- (l) On 14 August 2013, Total Prestige acquired from Vision Pilot Group Limited ("**Vision Pilot**"), a wholly-owned subsidiary of LIHL, the entire issued share capital of Statevalue for a consideration of approximately HK\$8 and satisfied by the issue of 1 new share of the Company to LIHL as directed by Vision Pilot.
- (m) Pursuant to the written resolutions of the sole shareholder of the Company passed on 20 August 2013, each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company was subdivided into 10 shares of HK\$0.10 each so that the share capital of the Company comprised 90,030 issued shares and 3,709,970 unissued shares of HK\$0.10 each and the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional of 1,996,200,000 shares.
- (n) Pursuant to the written resolutions of the sole shareholder of the Company passed on 26 August 2013, a sum of approximately HK\$33,211,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 332,109,970 new Shares for allotment and issue to LIHL on 26 August 2013.

Through the Reorganisation, the Company has become the holding company of the companies now comprising the Group. The companies now comprising the Group were under the common control of a controlling party, LIHL, prior to and after the Reorganisation and therefore is regarded as a continuing entity.

The Financial Information of the Group has been prepared as if the Company has been the holding company of the companies comprising the Group throughout the Track Record Period.

The combined statements of profit or loss and other comprehensive income and the combined statements of cash flows which include the results and cash flows of the companies now comprising the Group have been prepared by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation/establishment, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates (other than the disposal of Shenyang Jiajian and Li Hua Jia (Tianjin) as detailed in note 33).

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the Hong Kong Accounting Standards (“HKASs”), HKFRSs, Amendments and Interpretations (“INTs”) (hereinafter collectively referred to the “HKFRSs”) which are effective for the accounting periods beginning on 1 January 2013 throughout the Track Record Period, and has applied HKFRS 9 “Financial instruments” (“HKFRS 9”) in advance of its effective date.

New and revised HKFRSs issued but not yet effective

At the date of this report, the following new and revised HKFRSs have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
HK (IFRIC)-INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

The Group has not early adopted these new and revised HKFRSs in the preparation of the Financial Information.

Amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets”

In June 2013, the amendments to HKAS 36 align the disclosure requirements in respect of the recoverable amount for each cash-generating unit for which the carrying amount of intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity’s total carrying amount of intangible assets with definite useful lives upon adoption of HKFRS 13 “Fair value measurement”. Moreover, additional information is required about the fair value measurement for non-financial assets when their recoverable amounts are determined based on fair value less costs of disposal.

The additional information is not required for periods (including comparative periods) in which the HKFRS 13 is not applied.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

The management of the Group anticipates that the amendments will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2014 and will result in more extensive disclosures in the consolidated financial statements in respect of impairment assessment of properties under development and prepaid lease payments which the recoverable amounts are determined based on fair value less costs of disposals.

The management of the Group anticipates that the application of the other new and revised HKFRSs will have no impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair value, in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The policies have been consistently applied throughout the Track Record Period.

In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiary). Control is achieved when the 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to owners of the Company and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Acquisition of assets through acquisition of subsidiaries

For acquisition does not constitute a business combination in accordance with HKFRS 3 "Business combination", the acquisition is accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary. The cost of acquisition is allocated to the individual assets and liabilities on basis of their relative fair values at the date of purchase.

Loss of control of subsidiaries

Upon disposal of equity interest in a subsidiary that results in the Group losing control over that subsidiary, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. When the Group loses control of a subsidiary,

it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the statements of financial position of the Company.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale other than investment properties are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue is recognised when the goods and services are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

Properties under development

Properties in the course of construction are carried at cost, less any recognised impairment loss. Costs including professional fees and other costs that are directly attributable to the construction or acquisition of the property are capitalised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for 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.

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 the profit or loss in the period in which the item is derecognised.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. 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 combined statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of the group entities denominated in RMB are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit (loss) before taxation as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred 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 are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Effective interest method

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

Interest income is recognised on an effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in "other income, gains and losses" line item.

Financial assets at FVTPL

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition. The Group has not designated any investments in equity instruments as at FVTOCI.

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other income, gains and losses" line item in the combined statements of profit or loss and other comprehensive income. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on these financial assets.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

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

For certain categories of financial asset, such as rental receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of rental receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a rental receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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 bank borrowing, other payables and amounts due to fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

For share options granted to staff members of group entities by the shareholder (i.e. LIHL), the fair value of services received is determined by reference to the fair value of share options at the grant date. The fair value of services received is expensed on a straight-line basis over the vesting period, with a corresponding increase in capital reserve as deemed contribution from the shareholder.

Impairment losses on tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are estimates that the management of the Group have made in the process of applying the entity's accounting policies and that have the most significant effect on the Financial Information within the next 12 months.

Income taxes

No deferred tax asset has been recognised on the tax losses of approximately HK\$155,917,000, HK\$174,658,000, HK\$150,527,000 and HK\$64,475,000 at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the estimated future assessable profits or taxable temporary difference are more than previously estimated, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which the revised estimate takes place.

Financial assets at fair value through profit or loss

As described in note 22, the Group has investment in an unlisted equity security with carrying amount of HK\$35,815,000, HK\$29,812,000 and HK\$29,075,000 in the combined statements of financial position as at 31 December 2011, 31 December 2012 and 30 June 2013, respectively. The management estimated its fair value taking into account primarily the fair value of underlying investment property (see note 22) held by the investee after adjusting for lack of marketability of the equity security. Favourable or unfavourable change to the estimation could affect the fair value of the investment measured at fair value through profit or loss.

Investment properties situated in the PRC

As described in note 16, investment properties situated in the PRC, other than the property in Tianjin as at 31 December 2012, are stated at fair value determined by professional valuers or the management of the Group by reference to valuations performed by independent professional valuers. At 31 December 2012, the fair value of investment property in Tianjin is determined by reference to the sale and purchase agreement signed by the Group with an independent third party on the same date (see notes 16 and 24). The fair value of completed investment properties during the Track Record Period are determined based on the income method by capitalising future rental income derived from the property interest at an appropriate market yield for the remaining term of the land use rights of the properties. While the fair value of investment properties under construction are determined based on residual method by reference to comparable sales evidence as available on the market and deduct the expected construction cost estimated to complete and due allowances for developer's profits. In relying on the valuation reports of the independent professional valuers, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the market conditions prevailing at the end of each reporting period. Any changes in the market conditions will affect the fair value of the investment properties of the Group.

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded not to rebut the presumption of recovery through sale in respect of the Group's investment properties situated in the PRC including properties located at Tianjin, Qingdao, Harbin and Shenyang and the Group's investment properties situated in Hong Kong during the Track Record Period. As a result, the Group has recognised deferred taxes on changes in fair value of these investment properties situated in the PRC as they are subject to land appreciation taxes and income taxes upon disposal as appropriate. No deferred tax has been recognised on the changes in fair value of investment properties situated in Hong Kong as it is not expected to have tax consequence upon disposal of these properties. The deferred tax liabilities in respect of land appreciation taxes in the PRC are determined based on valuations of the investment properties performed by independent professional valuers and on the assumption that the values are the actual proceeds to be received from the sale of these properties.

Prepaid lease payments

Included in the Group's prepaid lease payments is a parcel of land of 31,376 square metres adjacent to the LIHL's department store site located in Shenhe District, Shenyang in the PRC (the "Plot") which land use right was awarded to the Group through a tender. The carrying amount of the Plot is HK\$652,150,000, HK\$680,601,000, HK\$685,871,000 and HK\$695,881,000 as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively (see note 18). It was intended that the Plot will be for commercial building development use. The land premium was fully paid on 22 February 2010 but the Group has yet to apply for the land use right certificate and development has not yet commenced. It was the management's understanding that the development of Yifu Land was subject to a 30-metre height limit during the process when the Yifu Land Grant Contract was concluded in December 2011. During the preliminary communication with local governmental authorities for the preparation for application of the Planning Permit for Construction Land (建設用地規劃許可證) in August 2012, the Group learnt from a planning drawing of Yifu Land made available by the Shenyang Planning and Design Institution that the development of the Yifu Land may be subject to a 15-metre height limit (instead of a 30-metre height limit which the Group understood during its acquisition of the Yifu Land). Thereafter, the Group started to seek clarifications with the relevant government departments including the District Government Office and Shenyang Planning & State-owned Land Resources Bureau (瀋陽市規劃和國土資源局) ("Shenyang Planning & Land Bureau").

As at 30 June 2013, the Plot was classified as prepaid lease payments for an amount of approximately HK\$695,881,000 (being the aggregate payment paid in relation to the Plot). The Group received a letter dated 19 April 2013 from Shenhe District Government (瀋河區人民政府) indicating that the planning standard shall remain the same as that applicable at the time of grant of Yifu Land, i.e. at a height not exceeding 30 metres. The Group further received a letter from Construction Management Office (建設工程管理處) of Shenyang Planning & Land Bureau dated 8 May 2013 confirming that the planning design scheme of Haiyanli-1 commercial project (i.e. the development project on Yifu Land) with a construction height of 29.9 metres had been preliminarily agreed by Shenyang Planning & Land Bureau, and the Group is required to submit an alternative design scheme incorporated comments from designated review panel relating to architectural structure/layout for construction approval in accordance with municipal government's review opinion. In late July 2013, the Group submitted the alternative design scheme to Shenyang Planning & Land Bureau for review. A meeting with the expert team (organised by the said Bureau) was held on 8 August 2013 to discuss on such alternative design scheme. During the meeting, the expert team and representatives of the Shenhe District Government and the Shenyang Planning & Land Bureau, after listening to the Group's presentation, all indicated that they considered such alternative design to be generally acceptable with no further comments. Shenyang Planning & Land Bureau indicated that they would complete the approval procedures as soon as possible. As at the date of this report, the Group had not yet received the final approval on the planning design scheme. As the counterparty is the government and involves a number of different departments/bureaux, the management of the Group are not in a position to assess with certainty the development, impact and outcome given the final approval has not been obtained.

If the Group fails to obtain the final approval for the development of the Plot, the development project of the Plot may be delayed or adversely affected, which may adversely affect the carrying amounts of prepaid lease payments of the Group. However, the management of the Group considers that no impairment is necessary as the Group has already obtained the preliminary approval and are confident that the final approval can be obtained.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debt, which includes bank borrowing and amounts due to fellow subsidiaries, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through payment of dividends and new share issues as well as issue of new debt or redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP				THE COMPANY	
	At 31 December			At 30 June	At	At
	2010	2011	2012	2013	31 December	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
FVTPL (<i>note 22</i>)	—	35,815	29,812	29,075	—	—
Financial assets measured at amortised cost (including cash and cash equivalents)	<u>170,153</u>	<u>93,720</u>	<u>87,543</u>	<u>548,028</u>	<u>886</u>	<u>1,641</u>
Financial liabilities						
Financial liabilities measured at amortised cost	<u>1,618,778</u>	<u>1,238,768</u>	<u>1,074,876</u>	<u>1,063,917</u>	<u>5,898</u>	<u>14,633</u>

Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, financial assets at FVTPL, rental and other receivables, other payables, bank borrowing and amount due from a fellow subsidiary, amounts due to fellow subsidiaries. The Company's major financial instruments include bank balances and cash, amount due from a subsidiary and amount due to a fellow subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The functional currency of the Company and its major subsidiaries is RMB in which most of their transactions are denominated. The Group and the Company do not have foreign currency transactions during the Track Record Period which expose the Group and the Company to foreign currency risk. However, the Group has certain foreign currency denominated bank balances, amount due from a fellow subsidiary and amounts due to fellow subsidiaries, and the Company has certain foreign currency denominated bank balances, amount due from a subsidiary and amount due to a fellow subsidiary, at the end of each reporting period and details of which are disclosed in respective notes.

The Group and the Company mainly exposed to currency risk of US\$ and HK\$. The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	THE GROUP							
	Assets				Liabilities			
	At 31 December		At 30 June		At 31 December		At 30 June	
	2010	2011	2012	2013	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	629	38,490	263	9,208	1,396,794	1,048,319	1,016,497	1,025,741
US\$	11,824	178	759	31,024	—	—	—	—

	THE COMPANY			
	Assets		Liabilities	
	At 31 December	At 30 June	At 31 December	At 30 June
	2012	2013	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	5	211	5,898	14,633
US\$	744	744	—	—

The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The following table details the Group's and the Company's sensitivity to a 5% possible appreciation or depreciation in RMB against US\$ and HK\$. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the end of each reporting period for a 5% change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The analysis illustrates the impact of RMB appreciates 5% against the relevant foreign currencies. A positive number below indicates an increase in post-tax profit for the year/period and a negative number indicates a decrease in post-tax profit for the year/period.

	THE GROUP				THE COMPANY	
	Year ended 31 December			Six month	Period ended	Six month
	2010	2011	2012	ended 30 June	31 December	ended 30 June
	2013	2012	2013	2012	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	69,808	50,491	50,812	50,827	295	721
US\$	(591)	(9)	(38)	(1,551)	(37)	(37)

There would be an equal and opposite impact on post-tax profit for the year/period if RMB depreciates 5% against the relevant foreign currencies.

In management's opinion, the sensitivity analysis is unrepresentative of foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts due to fellow subsidiaries which bear fixed interest rates. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing bank balances and bank borrowing at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark borrowing rate set by the People's Bank of China ("PBOC") from its RMB denominated borrowing.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and bank borrowing at variable interest rates at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. A 100 basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For those interest bearing bank balances that bear minimum prevailing interest rate, the analysis below would reflect the impact when the interest rate drops to 0%.

If interest rates on bank balances and bank borrowing had been 100 basis points lower or drop to 0% and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2010 would be increased by HK\$439,000. The impact on the Group's post-tax profit for the year ended 31 December 2011 and 2012 and the six months ended 30 June 2013 is insignificant.

If interest rates on bank balances and bank borrowing had been 100 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 would be increased by HK\$1,200,000, HK\$537,000, HK\$872,000 and HK\$2,118,000, respectively.

The impact of rate changes on the Company's interest bearing financial assets, mainly interest bearing bank balances at variable interest rates, has no material impact on the Company's post-tax loss for the period ended 31 December 2012 and the six months ended 30 June 2013.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year/period end exposure does not reflect the exposure during the year/period.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual rental receivable regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in relation to amount due from a fellow subsidiary, the details of which are disclosed in note 21. In order to minimise the credit risk, the management of the Group have reviewed the recoverability of the fellow subsidiary regularly to ensure that follow-up action is taken timely. In this regard, the management of the Group consider that the credit risk on the balance is significantly reduced.

The Group also has concentration risk by geographic location in relation to its debts which are derived from its operation in the PRC.

The management of the Group consider that there is no significant credit risk on the rental receivables from the Group's major tenants given their strong financial background and good creditability. The remaining rental receivables balances are spread over various tenants.

The Group and Company's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Price risk

The financial assets at FVTPL represent an unlisted equity investment in the PRC and details of which are set out in note 22. The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period which is directly linked to the price risk of the investment property (the major underlying asset of the investee).

The Group's sensitivity to price risk on the financial assets at FVTPL at the end of each reporting period as a result of increase in fair value of the underlying investment property while all other variables were held constant is as follows:

	THE GROUP			Six months ended
	Year ended 31 December			30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reasonably possible increase in fair value	N/A	5%	5%	5%
Increase in post-tax profit for the year/period	—	2,484	2,995	3,529

There would be an equal and opposite impact on post-tax profit for the year/period if there is a 5% decrease in fair value of the underlying investment property of the investee while all other variables were held constant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The Group relies on bank borrowing and advances from fellow subsidiaries as significant sources of liquidity during the Track Record Period. The Group has available unutilised borrowing facilities of approximately HK\$23,600,000 and HK\$74,040,000 as at 31 December 2010 and 31 December 2011, respectively. The Group has voluntarily terminated the borrowing facilities during the year ended 31 December 2012 after the completion of interior renovation work of the investment property located at Tianjin. Details of which are set out in note 28.

At 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, the Group had current liabilities which exceeded its current assets, of HK\$1,568,272,000, HK\$1,238,126,000, HK\$643,135,000 and HK\$690,682,000, respectively. Included in current liabilities are amounts due to fellow subsidiaries, all being subsidiaries of LIHL, amounted to HK\$1,544,390,000, HK\$1,234,799,000, HK\$1,074,594,000 and HK\$1,063,653,000, respectively. Although the amounts due to fellow subsidiaries are repayable on demand and classified as current liabilities, LIHL has agreed to provide financial support to the Group to meet in full its financial obligations as and when they fall due, and will not demand immediate repayment in respect of the amounts due to subsidiaries of LIHL until the Group has the financial ability to do so.

At 31 December 2012 and 30 June 2013, the Company had current liabilities which exceeded its current assets of HK\$12,681,000 and HK\$15,984,000, respectively. Included in current liabilities are amounts due to fellow subsidiaries of HK\$5,898,000 and HK\$14,633,000 at 31 December 2012 and 30 June 2013, respectively. Although the amounts due to fellow subsidiaries are repayable on demand and classified as current liabilities, LIHL has agreed to provide financial support to the Company to meet in full its financial obligations as and when they fall due, and will not demand immediate repayment in respect of the amounts due to subsidiaries of LIHL until the Company has the financial ability to do so.

In addition, as more fully explained in the section headed "Reorganisation" of the Prospectus, the amounts due to fellow subsidiaries by group entities have been settled prior to the Listing by way of issue of shares of the Company to LIHL.

Based on the above, the management of the Group considered the Group does not have any significant liquidity risk and it will be able to meet its financial obligations as they fall due in the foreseeable future.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes estimated interest payment based on interest rate at the end of each reporting period.

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate %	Repayable on demand/ less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2010					
Non-derivative financial liabilities					
Other payables	—	27,188	—	27,188	27,188
Bank borrowing	5.28	23,669	24,187	47,856	47,200
Amounts due to fellow subsidiaries					
— interest bearing portion	3.18	72,292	—	72,292	72,292
— non-interest bearing portion	—	1,472,098	—	1,472,098	1,472,098
		<u>1,595,247</u>	<u>24,187</u>	<u>1,619,434</u>	<u>1,618,778</u>
		Weighted average effective interest rate %	Repayable on demand/ less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2011					
Non-derivative financial liabilities					
Other payables	—	—	3,969	3,969	3,969
Amounts due to fellow subsidiaries					
— interest bearing portion	3.18	124,777	124,777	124,777	124,777
— non-interest bearing portion	—	1,110,022	—	1,110,022	1,110,022
		<u>1,238,768</u>	<u>1,238,768</u>	<u>1,238,768</u>	<u>1,238,768</u>
At 31 December 2012					
Non-derivative financial liabilities					
Other payables	—	—	282	282	282
Amounts due to fellow subsidiaries					
— interest bearing portion	1.00	27,644	27,644	27,644	27,644
— non-interest bearing portion	—	1,046,950	—	1,046,950	1,046,950
		<u>1,074,876</u>	<u>1,074,876</u>	<u>1,074,876</u>	<u>1,074,876</u>
At 30 June 2013					
Non-derivative financial liabilities					
Other payables	—	—	264	264	264
Amounts due to fellow subsidiaries					
— interest bearing portion	1.00	37,912	37,912	37,912	37,912
— non-interest bearing portion	—	1,025,741	—	1,025,741	1,025,741
		<u>1,063,917</u>	<u>1,063,917</u>	<u>1,063,917</u>	<u>1,063,917</u>

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand/ less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
31 December 2012				
Non-derivative financial liabilities				
Amounts due to a fellow subsidiary				
— non-interest bearing	—	5,898	5,898	5,898
At 30 June 2013				
Non-derivative financial liabilities				
Amounts due to a fellow subsidiary				
— non-interest bearing	—	14,633	14,633	14,633

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Fair value

Other than the financial assets at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial assets at FVTPL is determined by reference to the fair value of net assets of the investee (mainly comprised an investment property) after adjusting for lack of marketability of the investment.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial positions approximate to their fair values at the end of each reporting period.

Fair value measurements recognised in the combined statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial asset at fair value through profit or loss	10 per cent unlisted equity interest in Shenyang Jiajian engaged in property development business, amounting to HK\$35,815,000, HK\$29,812,000, and HK\$29,075,000 as at 31 December 2011, 31 December 2012 and 30 June 2013, respectively.	Level 3	Reference to the fair value of the underlying investment property and after adjustment for lack of marketability	The fair value of the underlying investment property based on valuation model (<i>Note</i>)	The higher the fair value of the underlying investment property, the higher the fair value

Note: If the fair value of the underlying investment property is 5% higher/lower while all other variables were held constant, the carrying amount of the unlisted equity security would increase/decrease by approximately HK\$2,484,000, HK\$2,995,000 and HK\$3,529,000 as at 31 December 2011, 31 December 2012 and 30 June 2013, respectively.

There were no transfers among Level 1, 2 and 3 during the Track Record Period.

	At 31 December 2011			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
— Unlisted equity securities	—	—	35,815	35,815
	<u>—</u>	<u>—</u>	<u>35,815</u>	<u>35,815</u>
	At 31 December 2012			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
— Unlisted equity securities	—	—	29,812	29,812
	<u>—</u>	<u>—</u>	<u>29,812</u>	<u>29,812</u>
	At 30 June 2013			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
— Unlisted equity securities	—	—	29,075	29,075
	<u>—</u>	<u>—</u>	<u>29,075</u>	<u>29,075</u>

Fair value measurements and valuation processes

In estimating the fair value of the Group's financial asset at fair value through profit or loss, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the underlying investment property at the end of each reporting period. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of the Group's financial asset at fair value through profit or loss are disclosed above.

Reconciliation of Level 3 fair value measurement of financial assets

	Unlisted equity investment <i>HK\$'000</i>
At 1 January 2010, 31 December 2010 and 1 January 2011	—
10% equity interest in Shenyang Jiajian (<i>note 33</i>)	35,065
Gain recognised in profit or loss	<u>750</u>
At 31 December 2011	35,815
Loss recognised in profit or loss	<u>(6,003)</u>
At 31 December 2012	29,812
Loss recognised in profit or loss	<u>(737)</u>
At 30 June 2013	<u><u>29,075</u></u>

8. TURNOVER AND SEGMENT INFORMATION**Turnover**

Turnover represents the rental income received from operating leases in the PRC during the Track Record Period.

Operating segment

The Group's operating activities are attributable to a single operating segment focusing on properties investment. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. certain executive directors and key management of LIHL responsible for the property development division who are also appointed as executive directors of the Company). The CODM regularly reviews revenue analysis and properties portfolios by locations and considers them as one single operating segment since all properties, including those situated in Hong Kong and the PRC, are held by the Group for capital appreciation and development. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective locations.

The CODM reviews the profit for the year/period (before unrealised gains and changes in fair value of investment properties) of the companies now comprising the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

Geographical information

Information about the Group's non-current assets is presented base on the geographical location of the assets as follows:

	THE GROUP			At 30 June 2013
	At 31 December			
	2010	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	52,480	53,250	35,900	40,700
PRC	<u>2,226,581</u>	<u>1,793,330</u>	<u>1,343,220</u>	<u>1,371,810</u>
	<u><u>2,279,061</u></u>	<u><u>1,846,580</u></u>	<u><u>1,379,120</u></u>	<u><u>1,412,510</u></u>

Information about major customers

Turnover from customers of the corresponding year/period contributing over 10% of total turnover of the Group are as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Customer A	341	4,977	4,666	2,328	1,167
Customer B	172	1,994	3,406	1,656	1,475
Customer C	305	—*	—*	—*	—*
	<u>305</u>	<u>—*</u>	<u>—*</u>	<u>—*</u>	<u>—*</u>

* The corresponding turnover does not contribute over 10% of the total turnover of the Group in the corresponding year/period.

9. OTHER INCOME, GAINS AND LOSSES

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Interest income on bank deposits	361	1,770	336	11	455
Imputed interest income (note)	—	—	—	—	3,244
Net exchange gain (loss)	52,805	48,831	8,304	(10,647)	22,225
Management fee income	561	5,926	6,189	3,316	966
Loss on disposal of property, plant and equipment	(548)	(147)	(1,067)	—	—
Other income	297	2,838	5,197	1,973	1,881
	<u>53,476</u>	<u>59,218</u>	<u>18,959</u>	<u>(5,347)</u>	<u>28,771</u>

Note: Imputed interest income represented unwinding of imputed interest arising on amortisation of fair value adjustment of deferred consideration receivable for disposal of a subsidiary.

10. FINANCE COSTS

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Interest on:					
Bank borrowing wholly repayable within one year	1,198	2,834	—	—	—
Amounts due to fellow subsidiaries (interest bearing portion)	969	1,198	1,711	840	409
	<u>2,167</u>	<u>4,032</u>	<u>1,711</u>	<u>840</u>	<u>409</u>

11. TAXATION

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
The taxation charge comprises:					
Hong Kong Profits Tax	—	—	1,800	—	—
PRC tax (<i>note</i>)	—	154,229	—	—	100,930
	—	154,229	1,800	—	100,930
Deferred tax (<i>note 29</i>)	69,604	49,196	73,769	6,790	(98,879)
	69,604	203,425	75,569	6,790	2,051

Note: PRC tax represented the tax arising from disposal of two subsidiaries which held investment properties in Shenyang and Tianjin, PRC during the year ended 31 December 2011 and the period ended 30 June 2013, respectively, as set out in note 33.

No provision for taxation has been provided for companies in the Cayman Islands and BVI as they are not subject to any tax during the Track Record Period.

Provision for Hong Kong Tax provided in the Financial Information is calculated at 16.5% of the assessable profit during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") effective from 1 January 1994 and amended on 8 January 2011, and the Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax effective from 27 January 1995 (collectively referred to the "LAT Regulations"), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

Taxation charge for the Track Record Period can be reconciled to the profit/(loss) before taxation per combined statements of profit or loss and other comprehensive income as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Profit (loss) before taxation	<u>89,811</u>	<u>351,594</u>	<u>169,760</u>	<u>(6,480)</u>	<u>80,546</u>
Tax at applicable income tax rate 25%	22,453	87,899	42,440	(1,620)	20,137
Tax effect of income not taxable for tax purpose	(15,157)	(16,177)	(2,076)	(1,754)	(21,958)
Tax effect of expenses not deductible for tax purpose	1,812	1,853	5,946	3,496	1,436
Tax effect of tax losses not recognised	9,257	7,354	6,366	3,608	3,759
Tax effect of different tax rate	—	—	(927)	—	—
LAT	48,303	31,672	52,408	4,813	1,207
Tax effect of LAT	(12,076)	(7,918)	(13,102)	(1,203)	(302)
Tax effect of adjustment on deemed cost for LAT and EIT calculation	19,543	5,025	(10,044)	2,802	771
Tax arising from disposal of a subsidiary	—	97,914	—	—	—
Others	<u>(4,531)</u>	<u>(4,197)</u>	<u>(5,442)</u>	<u>(3,352)</u>	<u>(2,999)</u>
	<u>69,604</u>	<u>203,425</u>	<u>75,569</u>	<u>6,790</u>	<u>2,051</u>

12. PROFIT (LOSS) FOR THE YEAR/PERIOD

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Profit (loss) for the year/period has been arrived at after charging (crediting):					
Directors' remuneration: <i>(note 13)</i>					
Fees	5	5	10	5	5
Other emoluments	799	586	851	492	311
Bonus	701	1,912	1,030	—	—
Share-based payments	540	23	1	1	—
Retirement benefits scheme contributions	10	7	5	2	1
	2,055	2,533	1,897	500	317
Other staff costs	6,223	9,427	7,782	4,647	2,566
Share-based payments	10	7	—	—	—
Retirement benefits scheme contributions	771	794	629	333	246
Total staff costs	<u>9,059</u>	<u>12,761</u>	<u>10,308</u>	<u>5,480</u>	<u>3,129</u>
Auditor's remuneration	143	112	100	43	51
Expenses in relation to the Listing (included in other expenses)	—	—	12,594	—	3,304
Gross rental income from an investment property	(1,424)	(14,950)	(20,809)	(8,664)	(4,490)
Less: — direct operating expenses from the investment property that generated rental income during the year/period	456	13,850	14,489	7,382	4,573
— direct operating expenses from the investment properties that did not generate rental income during the year/period	<u>8,000</u>	<u>4,705</u>	<u>3,780</u>	<u>2,212</u>	<u>1,843</u>
	<u>7,032</u>	<u>3,605</u>	<u>(2,540)</u>	<u>930</u>	<u>1,926</u>

13. DIRECTORS' AND EMPLOYEES' REMUNERATION

The emoluments paid or payable by LIHL or the Group to the directors and the chief executives of the Company were as follows:

For the year ended 31 December 2010

	Director's fee HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Share-based payments HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors						
Ms. Chan Chor Ling, Amy	—	333	66	60	4	463
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	—	346	135	22	5	508
Non-executive directors						
Mr. Lau Luen-Hung, Thomas	5	120	500	458	1	1,084
	<u>5</u>	<u>799</u>	<u>701</u>	<u>540</u>	<u>10</u>	<u>2,055</u>

For the year ended 31 December 2011

	Director's fee HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Share-based payments HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors						
Ms. Chan Chor Ling, Amy	—	253	96	18	3	370
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	—	213	816	5	3	1,037
Non-executive directors						
Mr. Lau Luen-Hung, Thomas	5	120	1,000	—	1	1,126
	<u>5</u>	<u>586</u>	<u>1,912</u>	<u>23</u>	<u>7</u>	<u>2,533</u>

For the year ended 31 December 2012

	Director's fee HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Share-based payments HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors						
Ms. Chan Chor Ling, Amy	—	256	13	1	2	272
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	—	235	17	—	2	254
Non-executive directors						
Mr. Lau Luen-Hung, Thomas	10	360	1,000	—	1	1,371
	<u>10</u>	<u>851</u>	<u>1,030</u>	<u>1</u>	<u>5</u>	<u>1,897</u>

For the six months ended 30 June 2012 (unaudited)

	Director's fee HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Share-based payments HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors						
Ms. Chan Chor Ling, Amy	—	179	—	1	1	181
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	—	133	—	—	1	134
Non-executive directors						
Mr. Lau Luen-Hung, Thomas	5	180	—	—	—	185
	<u>5</u>	<u>492</u>	<u>—</u>	<u>1</u>	<u>2</u>	<u>500</u>

For the six months ended 30 June 2013

	Director's fee HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Share-based payments HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors						
Ms. Chan Chor Ling, Amy	—	26	—	—	—	26
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	—	105	—	—	1	106
Non-executive directors						
Mr. Lau Luen-Hung, Thomas	5	180	—	—	—	185
	<u>5</u>	<u>311</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>317</u>

Note: The bonus is determined having regard to the performance of the respective individual and market trends.

Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) are also the Chief Executives of the Company and their emoluments disclosed above included those for services rendered by them as the Chief Executives.

The five highest paid individuals included three, three, three, three and two directors and the chief executives of the Company for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2011 and 2012, respectively, details of whose remuneration is disclosed above. The emoluments of the remaining highest paid individuals during the Track Record Period were as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Employees:					
Salaries, allowances and other benefits	844	1,277	495	311	312
Retirement benefits scheme contributions	49	58	84	59	51
Performance related incentive payments	51	148	42	—	—
	<u>944</u>	<u>1,483</u>	<u>621</u>	<u>370</u>	<u>363</u>

The emolument of the remaining employees were within the following bands:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK\$nil to HK\$1,000,000	2	1	2	2	3
HK\$1,000,001 to HK\$1,500,000	—	1	—	—	—
	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the Track Record Period, no remuneration was paid by the Group to the directors and the chief executives of the Company or the five highest paid individuals (individuals including directors and the chief executives and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No directors and the chief executives waived any emoluments during the Track Record Period. Remuneration for the directors and the chief executives and other highest paid individuals were borne by LIHL for their services rendered to the Group.

14. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. Except for a dividend of HK\$270,000,000 distributed to the then immediate holding company of Joyful Cheer during the year ended 31 December 2011, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period and prior to the Reorganisation.

The rate of dividend and the number of shares ranking for the above dividend are not presented as such information is not meaningful having regard to the purposes of this report.

15. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the capital structure of the Group and the purposes of this report.

16. INVESTMENT PROPERTIES

	Completed investment properties <i>HK\$'000</i>	THE GROUP Investment properties under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
FAIR VALUE			
At 1 January 2010	876,718	534,390	1,411,108
Additions during the year	74,341	12,368	86,709
Increase in fair value recognised in profit or loss			
— Realised gain on disposal	1,128	—	1,128
— Unrealised gain	20,029	41,997	62,026
Disposals	(4,889)	—	(4,889)
Exchange adjustments	31,631	21,305	52,936
At 31 December 2010	998,958	610,060	1,609,018
Additions during the year	20,734	39,884	60,618
Increase in fair value recognised in profit or loss			
— Realised gain on disposal	1,564	—	1,564
— Unrealised gain	94,417	—	94,417
Disposals	(13,553)	—	(13,553)
Disposal of a subsidiary (<i>note 33</i>)	—	(662,352)	(662,352)
Exchange adjustments	45,141	12,408	57,549
At 31 December 2011	1,147,261	—	1,147,261
Additions during the year	13,638	—	13,638
Increase in fair value recognised in profit or loss			
— Realised gain on disposal	1,498	—	1,498
— Unrealised gain	182,922	—	182,922
Disposals	(23,748)	—	(23,748)
Reclassified to held for sale (<i>note 24</i>)	(647,920)	—	(647,920)
Exchange adjustments	10,746	—	10,746
At 31 December 2012	684,397	—	684,397
Addition during the period	5,820	—	5,820
Increase in fair value recognised in profit or loss			
— Unrealised gain	6,297	—	6,297
Exchange adjustments	9,913	—	9,913
At 30 June 2013	706,427	—	706,427

The carrying amount of investment properties shown above comprises:

	At 31 December			At 30 June
	2010	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Land in Hong Kong under medium term lease	52,480	53,250	35,900	40,700
Land in PRC held under medium term lease	1,556,538	1,094,011	648,497	665,727
	<u>1,609,018</u>	<u>1,147,261</u>	<u>684,397</u>	<u>706,427</u>

The fair value of the Group's investment properties in Hong Kong at 31 December 2010 had been arrived at based on a valuation carried out on that date by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group whose address is 4/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. Knight

Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was determined based on the direct comparison method assuming sales of each of the property interests in their existing state and making references to comparable sales transactions as available in the relevant markets.

The fair value of the Group's investment properties in Hong Kong at 31 December 2011 was determined by directors of the respective company. At 31 December 2011, the fair value of the Group's investment properties in Hong Kong was determined with reference to a valuation report at 30 November 2011 prepared by CBRE Limited ("**CBRE**"), an independent qualified professional valuer not connected with the Group whose address is 4/F Three Exchange Square, 8 Connaught Place, Central, Hong Kong. CBRE are members of the Hong Kong Institute of Surveyors. The directors were given to understand from CBRE that there are no material changes between the fair values of the Group's investment properties at 31 December 2011 and at 30 November 2011. The valuation at 30 November 2011 prepared by CBRE was arrived at using direct comparison approach by reference to relevant market prices for similar properties in the same locations and conditions.

The fair value of the Group's investment properties in Hong Kong at 31 December 2012 and 30 June 2013 had been arrived at on the basis of a valuation carried out on those dates by CBRE and by reference to relevant market prices for similar properties in the same locations and conditions.

Fair value of the Group's investment properties situated in the PRC as at 31 December 2010 had been arrived at based on a valuation carried out on that date by Shanghai BDGH Chartered Valuation Surveyors Co., Ltd. ("**BDGH**") (formerly known as Shanghai Gooray & Henry Property Valuation Chartered Surveyors Co., Ltd.), an independent qualified professional valuer not connected with the Group whose address is Garden Villa, No. 549 Shanxi North Road, Jing An District, Shanghai, 200040, the PRC. BDGH is a member of The Royal Institution of Chartered Surveyors. The fair value of completed investment properties are determined based on the direct capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate as at 31 December 2010. While the fair value of investment properties under construction are determined based on residual method by reference to comparable sales evidence as available on the market and deduct the expected construction cost estimated to completion and due allowances for developer's profit with the assumption that the property would have been completed in accordance with similar class commercial development in the region.

Fair value of the Group's investment properties situated in the PRC as at 31 December 2011 are determined by directors of the respective companies. At 31 December 2011, the fair value of the Group's investment properties in the PRC was determined with reference to a valuation report prepared by CBRE, carried out at 30 November 2011 and recent property market data of similar properties in the relevant locations during December 2011. In the opinion of the directors, the fair values of these properties at 31 December 2011 approximate the fair value at 30 November 2011. The fair value of the investment property in Qingdao at 30 November 2011 is determined based on the direct capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate and also consider direct comparison approach assuming sales of each of the property interests in their existing state and making references to comparable sales transactions as available in the relevant markets. The fair value of the investment property in Harbin at 30 November 2011, being substantially completed at the valuation date, is determined using direct comparison approach by reference to comparable sales evidence as available in the relevant market to arrive at the capital value of the property interest as if the property interest was completed at the date of valuation and taking into account the expected cost estimated to completion (including the cost of obtaining property ownership certificate). The fair value of the investment property in Tianjin at 30 November 2011 is determined using direct comparison approach by reference to comparable sales evidence as available in the relevant market, and also consider term and reversion method by assessing the value of its remaining tenancy based on its current rent and the remaining valid lease term, and its value upon expiration of the tenancy.

Fair value of the Group's investment properties situated in the PRC as at 31 December 2012 and 30 June 2013 had been arrived at based on a valuation carried out on those dates by CBRE. The fair value of investment property in Qingdao at 31 December 2012 and 30 June 2013 is determined based on the direct capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate, and also consider direct comparison approach assuming sales of each of the property interests in their existing state and making references to comparable sales transactions as available in the relevant markets. The fair value of investment property in Harbin as at 31 December 2012 and 30 June 2013 is determined using direct comparison approach assuming sales of each of the property interests in their existing state and making references to comparable sales transactions as available in the

relevant markets. The fair value of an investment property in Tianjin as at 31 December 2012 is determined by reference to the sale and purchase agreement signed by the Group with an independent third party on the same date (see note 24).

All of the Group's property interests held under operating leases in the PRC to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties which are located in Hong Kong are measured at fair value using direct comparison approach determined based on market observable transactions of similar properties at the end of each reporting period. The Group's investment properties which are located in the PRC are measured at fair value applying valuation approach as described above using inputs which are not based on observable market data (unobservable inputs) at the end of each reporting period.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the combined statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2010					
Property 1 — Property in Tianjin	Level 3	Income method — Direct Capitalisation Approach	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 11%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 1 would decrease by approximately HK\$21,830,000 and increase by approximately HK\$23,836,000 respectively.
		The key inputs are: (1) Capitalisation rate; (2) Daily unit rent; and (3) Level adjustment	Daily unit rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB13.95/sq.m./day for the base level.	The higher the daily unit rent, the higher the fair value.	If the daily unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 1 would increase by approximately HK\$24,898,000 and decrease by approximately HK\$24,898,000 respectively.
		Level adjustment on individual floors of the property range from 60% to 90% on specific levels.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 1 would decrease by approximately HK\$62,894,000 and increase by approximately HK\$78,824,000 respectively.	

Investment properties held by the Group in the combined statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 2 — Property in Qingdao	Level 3	Income method — Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Daily unit rent; and (3) Level adjustment	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 11%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$10,148,000 and increase by approximately HK\$10,974,000 respectively.
			Daily unit rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB11.44/sq.m./day for the base level.	The higher the daily unit rent, the higher the fair value.	If the daily unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would increase by approximately HK\$12,980,000 and decrease by approximately HK\$13,098,000 respectively.
			Level adjustment on individual floors of the property range from 65% to 95% on specific levels.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$39,058,000 and increase by approximately HK\$51,920,000 respectively.
Property 3 — Property in Harbin	Level 3	Residual method The key inputs are: (1) Capitalisation rate; (2) Daily unit rent; (3) Level adjustment; and (4) construction costs	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 12%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$7,198,000 and increase by approximately HK\$7,670,000 respectively.
			Daily unit rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB8.61/sq.m./day for the base level.	The higher the daily unit rent, the higher the fair value.	If the daily unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would increase by approximately HK\$8,850,000 and decrease by approximately HK\$8,968,000 respectively.
			Level adjustment on individual floors of the property range from 50% to 95% on specific levels.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$7,434,000 and increase by approximately HK\$8,496,000 respectively.

Investment properties held by the Group in the combined statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
			Construction costs, taking into account management's experience and estimated budget.	The higher the construction cost, the lower the fair value	If the construction costs to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$236,000 and increase by approximately HK\$118,000 respectively.
Property 4 — Property in Shenyang	Level 3	Residual method The key inputs are: (1) Capitalisation rate; (2) Daily unit rent; (3) Level adjustment; and (4) construction costs	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 11%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 4 would decrease by approximately HK\$29,500,000 and increase by approximately HK\$31,860,000 respectively.
			Daily unit rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB6.33/sq.m./day for the base level.	The higher the daily unit rent, the higher the fair value.	If the daily unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 4 would increase by approximately HK\$34,220,000 and decrease by approximately HK\$34,220,000 respectively.
			Level adjustment on individual floors of the property range from 65% to 90% on specific levels.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 4 would decrease by approximately HK\$21,240,000 and increase by approximately HK\$24,780,000 respectively.
			Construction costs, taking into account management's experience and estimated budget.	The higher the construction cost, the lower the fair value	If the construction costs to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 4 would decrease by approximately HK\$3,540,000 and increase by approximately HK\$3,540,000 respectively.
Properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A	N/A

Investment properties held by the Group in the combined statements of financial positions

At 31 December 2011

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 — Property in Tianjin	Level 3	<p>Direct comparison method and Income method (term and reversionary approach)</p> <p>The key inputs are:</p> <p>(1) Term yield;</p> <p>(2) Reversionary yield;</p> <p>(3) Market unit rent of individual unit; and</p> <p>(4) Price per square metre</p>	<p>Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received, of 6%.</p> <p>Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6.5%.</p> <p>Market unit rent, using direct market comparables and taking into account of location and other individual factors such as road frontage, size of property and facilities of range from RMB1.2/sq.m./day to RMB9.9/sq.m./day.</p> <p>Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB49,900/sq.m. for the base level.</p>	<p>The higher the term yield, the lower the fair value.</p> <p>The higher the reversionary yield, the lower the fair value.</p> <p>The higher the market unit rent, the higher the fair value.</p> <p>The higher the price, the higher the fair value</p>	<p>If the term yield to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 1 would decrease by approximately HK\$250,000 and increase by approximately HK\$340,000 respectively.</p> <p>If the reversionary yield to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 1 would decrease by approximately HK\$8,000,000 and increase by approximately HK\$8,700,000 respectively.</p> <p>If the market unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 1 would increase by approximately HK\$9,400,000 and decrease by approximately HK\$9,300,000 respectively.</p> <p>If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 1 would increase/decrease by HK\$24,200,000.</p>

Investment properties held by the Group in the combined statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 2 — Property in Qingdao	Level 3	Direct comparison method and Income method — Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent; (3) Level adjustment; and (4) Price per square metre	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 8.5%	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$7,300,000 and increase by approximately HK\$8,100,000 respectively.
			Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB387/sq.m. for the base level.	The higher the monthly rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would increase by approximately HK\$7,500,000 and decrease by approximately HK\$7,500,000 respectively.
			Level adjustment on individual floors of the property concluding with a proportion of 15%–60% on a base level.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$6,200,000 and increase by approximately HK\$6,200,000 respectively.
			Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB55,000/sq.m. for the base level.	The higher the price, the higher the fair value.	If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 2 would increase/decrease by HK\$15,100,000.

Investment properties held by the Group in the combined statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 — Property in Harbin	Level 3	Direct comparison method and Income method — Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent; (3) Level adjustment; and (4) Price per square metre	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 9%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$7,400,000 and increase by approximately HK\$8,100,000 respectively.
			Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB721/sq.m. for the base level.	The higher the monthly rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would increase by approximately HK\$7,700,000 and decrease by approximately HK\$7,800,000 respectively.
			Level adjustment on individual floors of the property concluding with a proportion of 20%–65% on a base level.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$5,100,000 and increase by approximately HK\$5,100,000 respectively.
			Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB86,700/sq.m. for the base level.	The higher the price, the higher the fair value.	If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 3 would increase/decrease by HK\$16,200,000.
Properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A	N/A

Investment properties held by the Group in the combined statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2012					
Property 1 — Property in Tianjin	Level 1	Actual transaction price by reference to the sale and purchase agreement entered between the Group and an independent third party on 31 December 2012 (see note 24).	N/A	N/A	N/A
Property 2 — Property in Qingdao	Level 3	Direct comparison method and Income method — Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent; (3) Level adjustment; and (4) Price per square metre	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 8.5%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$7,500,000 and increase by approximately HK\$8,200,000 respectively.
			Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB391/sq.m. for the base level.	The higher the monthly rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would increase by approximately HK\$7,600,000 and decrease by approximately HK\$7,700,000 respectively
			Level adjustment on individual floors of the property concluding with a proportion of 15%–60% on a base level.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$6,400,000 and increase by approximately HK\$6,300,000 respectively.
			Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB56,100/sq.m. for the base level.	The higher the price, the higher the fair value.	If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 2 would increase/decrease by HK\$15,500,000.

Investment properties held by the Group in the combined statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 — Property in Harbin	Level 3	Direct comparison method and Income method — Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent; (3) Level adjustment; and (4) Price per square metre	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 9%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$8,100,000 and increase by approximately HK\$9,000,000 respectively.
			Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB755/sq.m. for the base level.	The higher the monthly rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would increase by approximately HK\$8,600,000 and decrease by approximately HK\$8,500,000 respectively.
			Level adjustment on individual floors of the property concluding with a proportion of 20%–65% on a base level.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$5,400,000 and increase by approximately HK\$5,500,000 respectively.
			Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB87,500/sq.m. for the base level.	The higher the price, the higher the fair value.	If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 3 would increase/decrease by HK\$17,200,000.
Properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A	N/A

Investment properties held by the Group in the combined statements of financial positions

At 30 June 2013

Property 2 —
Property in Qingdao

Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Level 3	<p>Direct comparison method and Income method — Direct Capitalisation Approach</p> <p>The key inputs are:</p> <p>(1) Capitalisation rate;</p> <p>(2) Monthly rent;</p> <p>(3) Level adjustment; and</p> <p>(4) Price per square metre</p>	<p>Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 8.5%.</p>	<p>The higher the capitalisation rate, the lower the fair value.</p>	<p>If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$7,500,000 and increase by approximately HK\$8,400,000 respectively.</p>
		<p>Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB393/sq.m. for the base level.</p>	<p>The higher the monthly rent, the higher the fair value.</p>	<p>If the monthly rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would increase by approximately HK\$7,800,000 and decrease by approximately HK\$7,700,000 respectively.</p>
		<p>Level adjustment on individual floors of the property concluding with a proportion of 15%–60% on a base level.</p>	<p>The higher the level adjustment, the lower the fair value.</p>	<p>If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 2 would decrease by approximately HK\$6,400,000 and increase by approximately HK\$6,500,000 respectively.</p>
		<p>Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB56,700/sq.m. for the base level.</p>	<p>The higher the price, the higher the fair value.</p>	<p>If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 2 would increase/decrease by HK\$16,000,000.</p>

Investment properties held by the Group in the combined statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 — Property in Harbin	Level 3	Direct comparison method and Income method — Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent; (3) Level adjustment; and (4) Price per square metre	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 9%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease approximately HK\$8,400,000 and increase by approximately HK\$9,300,000 respectively.
			Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB773/sq.m. for the base level.	The higher the monthly rent, the higher the fair value.	If the monthly rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would increase by approximately HK\$8,900,000 and decrease by approximately HK\$8,900,000 respectively.
			Level adjustment on individual floors of the property concluding with a proportion of 20%–65% on a base level.	The higher the level adjustment, the lower the fair value.	If the level adjustment to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value of Property 3 would decrease by approximately HK\$5,600,000 and increase by approximately HK\$5,600,000 respectively.
			Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB88,580/sq.m. for the base level.	The higher the price, the higher the fair value.	If the price per square metre to the valuation model is 10% higher/lower, while all other variables held constant, the carrying value of Property 3 would increase/decrease by HK\$17,600,000.
Properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A	N/A

The fair value of Property 1 (the property in Tianjin) at 31 December 2010 and 31 December 2011 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. On 31 December 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of Li Hua Jia (Tianjin) which holds Property 1 and have been classified as disposal group held for sale (see note 24), therefore the fair value of Property 1 at 31 December 2012 was determined with reference to the sales and purchase agreement entered on that date and was classified as Level 1 of the fair value hierarchy.

Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed above.

17. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 January 2010	9,918	12,777	866	23,561
Exchange adjustments	375	484	34	893
Additions	72	74	—	146
Disposals	(1,101)	—	—	(1,101)
At 31 December 2010	9,264	13,335	900	23,499
Exchange adjustments	426	618	40	1,084
Additions	445	298	581	1,324
Disposals	—	(204)	(841)	(1,045)
Disposal of a subsidiary (note 33)	—	(56)	—	(56)
At 31 December 2011	10,135	13,991	680	24,806
Exchange adjustments	81	114	7	202
Additions	6,775	—	—	6,775
Disposals	—	(3,154)	(506)	(3,660)
Reclassified to held for sale (note 24)	(16,914)	—	—	(16,914)
At 31 December 2012	77	10,951	181	11,209
Exchange adjustments	1	167	3	171
At 30 June 2013	78	11,118	184	11,380
DEPRECIATION				
At 1 January 2010	1,630	3,634	806	6,070
Exchange adjustments	84	189	31	304
Provided for the year	843	1,974	8	2,825
Eliminated on disposals	(531)	—	—	(531)
At 31 December 2010	2,026	5,797	845	8,668
Exchange adjustments	112	323	39	474
Provided for the year	860	2,134	27	3,021
Eliminated on disposals	—	(124)	(683)	(807)
Disposal of a subsidiary (note 33)	—	(33)	—	(33)
At 31 December 2011	2,998	8,097	228	11,323
Exchange adjustments	39	89	2	130
Provided for the year	1,224	2,226	45	3,495
Eliminated on disposals	—	(2,183)	(94)	(2,277)
Reclassified to held for sale (note 24)	(4,231)	—	—	(4,231)
At 31 December 2012	30	8,229	181	8,440
Exchange adjustments	—	131	3	134
Provided for the period	5	970	—	975
At 30 June 2013	35	9,330	184	9,549
NET BOOK VALUES				
At 31 December 2010	7,238	7,538	55	14,831
At 31 December 2011	7,137	5,894	452	13,483
At 31 December 2012	47	2,722	—	2,769
At 30 June 2013	43	1,788	—	1,831

The above items of property, plant and equipment are depreciated on a straight-line basis, over the following periods:

Plant and machinery	10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	5 years

18. PREPAID LEASE PAYMENTS

	THE GROUP			At 30 June 2013 HK\$'000
	At 31 December			
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
NET BOOK VALUE				
At the beginning of the year/period	665,472	652,150	680,601	685,871
Exchange adjustments	24,017	28,451	5,270	10,010
Addition	20,918	—	—	—
Refund (<i>note</i>)	(58,257)	—	—	—
At the end of the year/period	<u>652,150</u>	<u>680,601</u>	<u>685,871</u>	<u>695,881</u>

Note: In year 2006, the Group entered an agreement with the Shenyang government to acquire a piece of land through tender (the Plot). In 2010, the Group has fully paid the tendered land cost, however, the final cost of the land was subject to actual size of land as measured and approved by the relevant PRC government authority. During the year ended 31 December 2010, the relevant PRC government authority had approved the land size and refunded an amount of HK\$58,257,000 to the Group as the final land area was smaller as compared with the original area at the tender.

The Group's prepaid lease payments comprise prepayment for the Plot (as more fully disclosed in note 5) of which Group has not yet obtained the legal document in respect of the land use right certificate. The management of the Group consider there is no material legal impediment for the Group to obtain the land use right certificate.

19. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY

	THE COMPANY	
	At 31 December 2012 HK\$'000	At 30 June 2013 HK\$'000
	Unlisted share, at cost	<u>—</u>

Investment cost represents the investment in Total Prestige for an issued and fully paid share capital of US\$1.

The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

20. RENTAL AND OTHER RECEIVABLES

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental receivables	—	1,785	—	—
Prepayments (<i>note a</i>)	38	89	29	15
Payment in advance (<i>note b</i>)	30,082	—	—	—
Value added tax ("VAT") receivables (<i>note c</i>)	2,418	1,606	513	531
Rental, utility and other deposits (<i>note d</i>)	218	139	131	110
Others (<i>note e</i>)	2,928	375	318	739
Consideration receivable for disposal of a subsidiary (<i>note f</i>)	—	—	—	335,166
Interest receivable	—	—	—	257
	<u>35,684</u>	<u>3,994</u>	<u>991</u>	<u>336,818</u>

The following is an aged analysis of rental receivables (presented based on rental demand notice issued on the first calendar date of each month) at the end of each reporting period:

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Age				
0–30 days	—	1,785	—	—

No credit period was granted to tenants for rental of premises. Before accepting any new tenants, the Group will internally assess the credit quality of the potential tenants.

Included in the Group's rental receivables balances are receivables with aggregate carrying amount of HK\$1,785,000 as at 31 December 2011, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Notes:

- Prepayments mainly represented the Group's prepaid motor vehicle insurance, prepaid properties insurance, as well as prepaid expenses for software maintenance fee.
- Payment in advance represented the Group's advance payments for demolition and relocation works relating to the land acquired in Shenyang, the PRC.
- VAT receivables represented the input VAT mainly arose from purchase of plant and machinery.
- Balances mainly represented the Group's deposits paid for utility services, as well as rental and management fee deposits paid for its staff quarters in the PRC.
- Others mainly represented temporary payments for constructors and miscellaneous receivables. As at 31 December 2010, included in the amount is HK\$1,170,000 represented advance payment for temporary use of water relating to an investment property under construction in Shenyang, the PRC.
- The balance represented the Group's consideration receivable in relation to its disposal of Li Hua Jia (Tianjin) in 2013. As at 30 June 2013, amounts of HK\$2,526,000 and HK\$332,640,000, respectively, represented the Group's guarantee deposit receivable (also see note 24) and final payment receivable from an independent third party arising from the sale of Li Hua Jia (Tianjin). Details are disclosed in note 33.

21. AMOUNT DUE FROM A FELLOW SUBSIDIARY

Name of fellow subsidiaries	THE GROUP			At 30 June 2013 HK\$'000
	At 31 December			
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
Shenyang Forever Smart Development Company Limited (“瀋陽卓遠置業有限公司”) (“Shenyang Forever Smart”)	—	37,876	—	—

	THE GROUP			Six months ended 30 June 2013 HK\$'000
	Year ended 31 December			
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
Maximum amount outstanding during the year/period:				
Lifestyle (China) Investment Company Limited (“利福(中國)投資有限公司”) (“Lifestyle (China) Investment”)	36,384	—	—	—
Shenyang Forever Smart	—	131,147	43,745	—
	<u>36,384</u>	<u>131,147</u>	<u>43,745</u>	<u>—</u>

The above fellow subsidiaries are subsidiaries of LIHL and the amounts are unsecured, non-interest bearing and repayable within one year.

In determining the recoverability of the amount due from a fellow subsidiary, the Group monitors the changes in credit quality of respective fellow subsidiary since the date the amount was advanced and up to the end of each reporting period. The management of the Group considered that the amount due from a fellow subsidiary that is neither past due nor impaired to be of a good credit quality.

Included in amount due from a fellow subsidiary is the following amounts denominated in currency other than functional currency of the relevant group entity:

	THE GROUP			At 30 June 2013 HK\$'000
	At 31 December			
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
HK\$	—	37,876	—	—

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP			At 30 June 2013 HK\$'000
	At 31 December			
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
Unlisted equity investment in the PRC	—	35,815	29,812	29,075

At 31 December 2011, 31 December 2012 and 30 June 2013, the unlisted equity investment in the PRC represents the Group's retained 10% equity interest in Shenyang Jiajian after the disposal as set out in note 33. The fair value as at 31 December 2011, 31 December 2012 and 30 June 2013 is determined by reference to the fair value of the underlying investment property and after adjusting for lack of marketability of the investment.

23. BANK BALANCES AND CASH

Bank balances and cash comprised mainly short-term deposits which carry interest at prevailing market rates ranging from 0.02% per annum (“p.a.”) to 4.66% p.a., 0.02% p.a. to 1.36% p.a., 0.02% p.a. to 1.31% p.a. and 0.02% p.a. to 1.35% p.a. as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively, with original maturity of less than three months.

Included in bank balances and cash are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	THE GROUP			THE COMPANY		
	At 31 December			At	At	At
	2010	2011	2012	30 June 2013	31 December 2012	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	629	614	263	9,208	5	211
US\$	11,824	178	759	31,024	744	744

24. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2012, Ever Better entered into a sale and purchase agreement (the “**Tianjin Disposal Agreement**”) with an independent third party (the “**Purchaser**”) whereby (i) the Purchaser agreed to purchase the entire equity interest in Li Hua Jia (Tianjin) for a total cash consideration of RMB545,000,000 (equivalent to approximately HK\$677,980,000) less all loans, including principal or interest, outstanding and owed by Li Hua Jia (Tianjin) to subsidiaries of LIHL (“**Entrusted Loans**”) and (ii) the Purchaser would provide funding to, and will procure, Li Hua Jia (Tianjin) to repay the Entrusted Loans. As at 31 December 2012, the Entrusted Loans owed to Hui Fu Commercial Consultancy (Shanghai) Co., Ltd. (“**會福商務諮詢(上海)有限公司**”) (“**Hui Fu**”) and Lifestyle (China) Investment by Li Hua Jia (Tianjin) were amounting to approximately RMB40,044,000 (equivalent to approximately HK\$49,815,000) and RMB59,069,000 (equivalent to approximately HK\$73,481,000), respectively. Pursuant to the Tianjin Disposal Agreement, if Li Hua Jia (Tianjin) has net current liabilities in its management account at the completion date after repayment of the Entrusted Loans, the Group shall reimburse to the Purchaser of an amount equal to that net current liabilities at the completion date (the “**Adjustment**”). Furthermore, an amount of RMB2,000,000 (equivalent to approximately HK\$2,488,000) representing part of the consideration payable shall be withheld by Purchaser as guarantee deposit and released to the Group on or before 25 April 2014 (the “**Guarantee Deposit**”).

The total consideration, including the Entrusted Loans owed by Li Hua Jia (Tianjin) to subsidiaries of LIHL, are payable in the following manner:

- (i) upon signing of the Tianjin Disposal Agreement, the first sum of RMB30,000,000 (equivalent to approximately HK\$37,320,000) has been paid to the Group;
- (ii) on or before 20 January 2013, the second sum of RMB79,000,000 (equivalent to approximately HK\$98,276,000) shall be payable to the Group. The amount has been received in January 2013;
- (iii) (a) on the application date (the date of submission to, and receipt of the necessary documents by, the relevant Administration for Industry & Commerce of the PRC in respect of the transfer of the entire equity interest in Li Hua Jia (Tianjin)) (the “**Application Date**”) pursuant to the Tianjin Disposal Agreement, the Purchaser shall provide funding to Li Hua Jia (Tianjin) to repay the Entrusted Loans, in an aggregate amounting to RMB99,113,000 (equivalent to approximately HK\$123,296,000) as at 31 December 2012. In April 2013, the Purchaser has repaid the Entrusted Loans owed to Hui Fu and Lifestyle (China) Investment amounting to approximately RMB40,000,000 (equivalent to approximately HK\$49,760,000) and RMB59,000,000 (equivalent to approximately HK\$73,396,000), respectively outstanding as at 25 April 2013;

- (b) the Purchaser shall withhold and pay the amount of corporate income tax payable by the Group resulting from the disposal (the amount of which is to be determined by the PRC tax authority). Tax charge of RMB15,188,000 (equivalent to approximately HK\$18,896,000) had been paid on 15 April 2013; and
- (c) on the Application Date, the Purchaser shall pay to the Group the difference between RMB163,500,000 (equivalent to approximately to HK\$203,394,000) and items (a) and (b) above. On 25 April 2013, the Group had received RMB46,685,000 (equivalent to approximately HK\$58,076,000) and paid a refund of RMB4,449,000 (equivalent to approximately HK\$5,535,000) to the Purchaser pursuant to the Adjustment.
- (iv) within nine months from the Application Date, the final sum of RMB272,500,000 (equivalent to approximately HK\$338,990,000) (the "Final Payment") shall be payable to the Group. On the Application Date, the Purchaser shall provide the Group with an irrevocable bank guarantee pursuant to the Tianjin Disposal Agreement to secure payment of the Final Payment.

Pursuant to the Tianjin Disposal Agreement, on the date of completion, the Purchaser would further procure Li Hua Jia (Tianjin) to pay the interest to be accrued on the principal amount of the Entrusted Loans for the period from 1 January 2013 to the date of completion (both dates inclusive).

The assets and liabilities attributable to Li Hua Jia (Tianjin), which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the combined statement of financial position as at 31 December 2012.

The major classes of assets and liabilities of Li Hua Jia (Tianjin) classified as held for sale are as follows:

	<i>HK\$'000</i>
Investment property	647,920
Property, plant and equipment	12,683
Rental and other receivables	2,927
Bank balances and cash	<u>3,805</u>
Total assets classified as held for sale	<u>667,335</u>
Other payables and rental deposits received	(8,543)
Amounts due to fellow subsidiaries	(123,296)
Deferred tax liabilities	<u>(57,520)</u>
Total liabilities classified as held for sale	<u>(189,359)</u>
Net assets classified as held for sale	<u>477,976</u>

25. PROVISIONS

	THE GROUP			At 30 June 2013 HK\$'000
	At 31 December 2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
Litigation provisions	<u>142,125</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the year ended 31 December 2009, the Group completed the acquisition of 100% interest in Leadplus Group from an independent construction developer (the "former developer"). Major assets of Leadplus Group are investment properties under construction in Shenyang, which is known as the Sun Plaza. Prior to the completion of such acquisition, the former developer failed to continue the development of Sun Plaza and failed to perform a number of contracts and obligations. Therefore, a number of claims against Shenyang Jiajian were outstanding in relation to the project construction stagnation as at date of acquisition and major claims were as follows:

- (i) It was estimated that an amount of RMB63,000,000 (or equivalent to approximately HK\$71,631,000) was payable to some original tenants of Sun Plaza in respect of resettlement expenses.
- (ii) It was estimated that an amount of RMB17,600,000 (or equivalent to approximately HK\$20,011,000) was payable to buyers of some re-developed area, of which were pre-sold by the former developer, as compensation to surrender the ownership of their acquired re-developed floor areas.
- (iii) It was estimated that an amount of RMB12,600,000 (or equivalent to approximately HK\$14,326,000) was payable to a tenant as compensation to early terminate the rental agreements entered into by the former developer and the tenant.

The litigation provisions have been derecognised upon the completion of disposal of 90% equity interests in Shenyang Jiajian on 31 October 2011 and no indemnity in relation to the above claims has been provided to the acquirer upon the disposal.

26. OTHER PAYABLES AND RENTAL DEPOSITS RECEIVED

	THE GROUP			THE COMPANY		
	At 31 December			At	At	At
	2010	2011	2012	30 June 2013	31 December 2012	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Payables for construction in progress (note a)	1,363	314	173	148	—	—
Payables for investment properties under construction (note a)	24,780	3,223	—	—	—	—
Accrued charges (note b)	1,274	3,376	8,967	4,318	7,669	2,992
Rental deposits and other deposits received (note c)	6,652	8,424	—	—	—	—
Interest payable	286	—	—	—	—	—
Receipt in advance (note d)	1,119	2,568	37,320	—	—	—
Others (note e)	1,992	1,018	512	516	—	—
	<u>37,466</u>	<u>18,923</u>	<u>46,972</u>	<u>4,982</u>	<u>7,669</u>	<u>2,992</u>

Notes:

- (a) Payables for construction in progress and payables for investment properties under construction represented accrued construction costs in accordance with invoices received from respective constructors at the end of each respective reporting period.
- (b) Accrued charges represented accrued expenses for auditor's remuneration, staffs' salaries and other staff welfare expenses. As at 31 December 2011, 31 December 2012 and 30 June 2013, amounts of HK\$1,000,000, HK\$1,000,000 and HK\$1,000,000, respectively, represented the Group's accrued professional expenses in relation to its disposal of a subsidiary in 2011. In addition, an amount of HK\$7,661,000 and HK\$2,992,000 represented the accrued professional expenses in relation to the professional services rendered by various professional parties as at 31 December 2012 and 30 June 2013, respectively, for the proposed listing of the Company's shares on the Stock Exchange.

- (c) Rental deposits and other deposits received mainly represented the Group's rental and other deposits received from tenants of its investment property located at Tianjin.
- (d) Receipt in advance represented the Group's advanced rental payment from tenants of its investment property located at Tianjin. As at 31 December 2012, amount of RMB30,000,000 (equivalent to approximately HK\$37,320,000) represented the Group's receipt in advance from the sale of Li Hua Jia (Tianjin). Details are disclosed in note 24 above.
- (e) Others mainly represented other tax payables, such as business tax, urban maintenance and construction, construction tax and other miscellaneous advances.

27. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	THE GROUP			THE COMPANY		
	At 31 December			At	At	At
	2010	2011	2012	30 June 2013	31 December 2012	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to fellow subsidiaries						
— interest bearing portion (note a)	72,292	124,777	27,644	37,912	—	—
— non-interest bearing portion (note b)	1,472,098	1,110,022	1,046,950	1,025,741	5,898	14,633
	<u>1,544,390</u>	<u>1,234,799</u>	<u>1,074,594</u>	<u>1,063,653</u>	<u>5,898</u>	<u>14,633</u>

Notes:

- (a) The interest bearing amounts due to fellow subsidiaries are unsecured and repayable on demand. Amounts represented the transfer of funds between the Group and LIHL's subsidiaries in the PRC, through the arrangement of entrustment loans by financial institutions and carry fixed interest rates, ranging from 1.50% p.a. to 4.86% p.a., 1.50% p.a. to 4.86% p.a., 0.50% p.a. to 1.50% p.a. and 0.50% p.a. to 1.50% p.a. as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively.
- (b) The amounts are unsecured, non-interest bearing and repayable on demand. As part of the Reorganisation, the amounts have been settled prior to the Listing by way of issue of shares of the Company to LIHL, details of which are more fully explained under section headed "Reorganisation" in the Prospectus.

Included in amounts due to fellow subsidiaries are the following amounts denominated in currency other than functional currency of the relevant group entities:

	THE GROUP			THE COMPANY		
	At 31 December			At	At	At
	2010	2011	2012	30 June 2013	31 December 2012	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	<u>1,396,794</u>	<u>1,048,319</u>	<u>1,016,497</u>	<u>1,025,741</u>	<u>5,898</u>	<u>14,633</u>

28. BANK BORROWING

The bank borrowing is unsecured, repayable within one year and carries interest with reference to benchmark borrowing rate set by the PBOC. The ranges of effective interest rates of the borrowings are also equal to contractual interest rates ranging from 4.86% p.a. to 5.46% p.a. for the year ended 31 December 2010.

At the end of each reporting period, the Group has undrawn borrowing facilities as follows:

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Floating rate				
— expiring within one year	<u>23,600</u>	<u>74,040</u>	<u>—</u>	<u>—</u>

The borrowing facilities as at 31 December 2010 and 31 December 2011 were supported by corporate guarantee provided by LIHL. The Group has voluntarily terminated the borrowing facilities during the year ended 31 December 2012 after the completion of the interior renovation work of the investment property located at Tianjin.

29. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised and movements thereon during the Track Record Period:

	Revaluation of properties	LAT	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2010	69,052	114,038	183,090
Exchange adjustments	2,612	4,313	6,925
Charge to profit or loss (<i>note 11</i>)	<u>21,301</u>	<u>48,303</u>	<u>69,604</u>
At 31 December 2010	92,965	166,654	259,619
Exchange adjustments	4,254	7,627	11,881
Charge to profit or loss (<i>note 11</i>)	17,524	31,672	49,196
Disposal of a subsidiary (<i>note 33</i>)	<u>(22,557)</u>	<u>(55,545)</u>	<u>(78,102)</u>
At 31 December 2011	92,186	150,408	242,594
Exchange adjustments	747	1,219	1,966
Charge to profit or loss (<i>note 11</i>)	21,361	52,408	73,769
Reclassified to held-for-sale (<i>note 24</i>)	<u>(57,520)</u>	<u>—</u>	<u>(57,520)</u>
At 31 December 2012	56,774	204,035	260,809
Exchange adjustments	867	1,574	2,441
Charge (credit) to profit or loss (<i>note 11</i>)	<u>844</u>	<u>(99,723)</u>	<u>(98,879)</u>
At 30 June 2013	<u>58,485</u>	<u>105,886</u>	<u>164,371</u>

The Group has unused tax losses of approximately HK\$155,917,000, HK\$174,658,000, HK\$150,527,000 and HK\$64,475,000 at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively, available for offset against future profits. Tax losses of approximately HK\$92,732,000 at 31 December 2012 represent the accumulated tax losses arising from Li Hua Jia (Tianjin). No deferred tax asset has been recognised in respect of such losses over the Track Record Period due to unpredictability of future profit streams. The tax losses in Hong Kong may carry forward indefinitely. The unrecognised tax losses in PRC will expire as follows:

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax losses expiring in				
— 2012	49,594	49,594	—	—
— 2013	30,651	28,294	15,450	15,450
— 2014	38,339	32,873	10,220	10,220
— 2015	36,692	33,840	8,556	8,556
— 2016	—	29,415	11,449	11,449
— 2017	—	—	11,478	11,478
— 2018	—	—	—	6,680
	<u>155,276</u>	<u>174,016</u>	<u>57,153</u>	<u>63,833</u>

The remaining balances of approximately HK\$641,000, HK\$642,000, HK\$642,000 and HK\$642,000 at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 represent the deductible temporary differences in respect of staff cost, office and other expenses in Hong Kong which may carry forward indefinitely. As at 31 December 2010, amount of RMB9,398,000 (equivalent to approximately HK\$10,674,000) represented the Group's tax losses derived from the operations of Shenyang Jiajian, of which had been derecognised upon the disposal of 90% equity interest in Shenyang Jiajian during the year ended 31 December 2011. Tax losses of approximately HK\$92,732,000 at 31 December 2012 represent the accumulated tax losses arising from Li Hua Jia (Tianjin) which has been disposed upon disposal of Li Hua Jia (Tianjin).

In determining the deferred taxes arising on the fair value change of investment properties, the management of the Group reviewed the Group's investment properties portfolios as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, and concluded not to rebut the presumption of recovery through sale in respect of the Group's investment properties situated in the PRC including properties located at Tianjin, Qingdao, Harbin and Shenyang amounting to HK\$1,556,538,000, HK\$1,094,011,000, HK\$648,497,000 and HK\$665,727,000 and the Group's investment properties situated in Hong Kong amounting to HK\$52,480,000, HK\$53,250,000, HK\$35,900,000 and HK\$40,700,000, respectively.

The Group has recognised deferred taxes on changes in fair value of the investment properties situated in the PRC as those properties are subject to land appreciation taxes and income taxes upon disposal as appropriate.

No deferred tax has been recognised on changes in fair value of the investment properties situated in Hong Kong as it is not expected to have tax consequences upon disposal of these properties.

30. SHARE CAPITAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 5 January 2012 with an authorised capital of HK\$380,000 divided into 380,000 ordinary shares of HK\$1 each. Upon incorporation, one share of HK\$1 each was issued for cash at par.

The share capital as at 31 December 2010 represented the aggregate amount of the share capital of Good Insight, Joyful Cheer, Joyous Wing, Silver Joy, Sonic Plus and Statevalue.

The share capital as at 31 December 2011 represented the aggregate amount of the share capital of Good Insight, Joyful Cheer, Joyous Wing, Silver Joy, Sonic Plus, Statevalue and Total Prestige.

The share capital as at 31 December 2012 represented the aggregate amount of the share capital of the Company, Good Insight, Joyful Cheer, Joyous Wing, Sonic Plus and Statevalue.

The share capital as at 30 June 2013 represented the aggregate amount of the share capital of the Company, Good Insight, Joyful Cheer, Joyous Wing, Sonic Plus and Statevalue.

31. RESERVES OF THE COMPANY

	Accumulated loss
	<i>HK\$'000</i>
At 5 January 2012 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>(12,681)</u>
At 31 December 2012	(12,681)
Loss and total comprehensive expense for the period	<u>(3,303)</u>
At 30 June 2013	<u><u>(15,984)</u></u>

32. SHARE-BASED PAYMENT TRANSACTIONS

The 2004 Share Option Scheme

LIHL adopted a share option scheme (the “**Scheme**”) for a period of 10 years commencing 27 March 2004. Under the Scheme, LIHL may grant options to selected full-time employees and directors of LIHL and its subsidiaries, to subscribe for shares in LIHL. Additionally, LIHL may, from time to time, grant share options to eligible advisors and consultants to LIHL and its subsidiaries (the “**LIHL Group**”) at the discretion of the Board of Directors of LIHL.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of LIHL in issue at any point of time, without prior approval from LIHL's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of LIHL in issue at any point in time, without prior approval from LIHL's shareholders. Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or any of their respective associates) in excess of 0.1% of LIHL's share capital or with a value in excess of HK\$5,000,000 must be approved by LIHL's shareholders.

Option granted must be taken up within the time limit specified in the offer letter (which shall not be later than 5 days from the date of offer), upon payment of HK\$1 per option. Options may be exercised at any time during a period commencing on or after the date on which the option is accepted and deemed to be granted and expiring on a date to be notified by the Board of Directors of LIHL to each grantee which shall not be more than 10 years from the date on which the option is accepted and deemed to be granted. The exercise price is determined by the directors of LIHL, and will not be less than the higher of (i) the closing price of LIHL's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of LIHL's share.

The 2009 Share Option Scheme

The adoption of a new share option scheme (the “**2009 Share Option Scheme**”) was approved by the shareholders of LIHL in an extraordinary general meeting held on 3 March 2009 for a period of 10 years commencing from 3 March 2009 as incentive or reward for the contribution of the eligible participants to the growth of the LIHL Group and to provide to the LIHL Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

Under the 2009 Share Option Scheme, LIHL may grant options to (a) any full-time or part-time employee of LIHL and/or any subsidiary; (b) any director (including executive, non-executive and independent non-executive director) of LIHL and/or any subsidiary; and (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of LIHL and/or any subsidiary who, at the sole determination of the Board of Directors of LIHL, have contributed or will contribute to LIHL and/or any subsidiary.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the 2009 Share Option Scheme. However, the Board of Directors of LIHL may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such Options can be exercised and/or any other terms as the Board of Directors of LIHL may determine in its absolute discretion.

The total number of shares which may be issued upon exercise of all options which may be granted under the 2009 Share Option Scheme and any other share option schemes of LIHL must not, in aggregate, exceed 166,860,950 shares, representing 10% of the issued share capital of LIHL as at 3 March 2009, the date on which the 2009 Share Option Scheme was approved by the shareholders of LIHL. The Board of Directors of LIHL may seek approval by shareholders in general meeting to renew such limit provided that it must not exceed 10% of the issued share capital of LIHL at the date of approval of the renewed limit. The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other scheme must not exceed such number of shares as shall represent 30% of the issued share capital of LIHL from time to time.

Where options are proposed to be granted to a substantial shareholder or an independent non-executive director of LIHL or any of their respective associates, and the proposed grant of options will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of LIHL on the date of offer and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the shareholders taken on a poll at general meeting. The connected person involved in such proposed grant of options and all other connected persons of LIHL must abstain from voting in such general meeting (except that any connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the shareholders).

Option granted must be taken up within the time limit specified in the offer letter (which shall not be later than 5 days from the date of offer), upon payment of HK\$1 on acceptance of the offer. Options may be exercised at any time during a period to be notified by the Board of Directors of LIHL to each grantee which shall not be more than 10 years from the date of the offer. The exercise price is determined by the directors of LIHL, and will be at least the highest of (i) the closing price of LIHL's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of LIHL's share.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Adjusted exercise price HK\$
Under the 2004 Share Option Scheme					
2005	7.10.2005	7.10.2005–7.10.2008	7.10.2006–26.3.2014	12.32	6.16 (note a)
2006	16.3.2006	16.3.2006–16.3.2009	16.3.2007–26.3.2014	12.74	6.37 (note a)
2007A	31.8.2007	31.8.2007–1.10.2011	1.10.2009–26.3.2014	37.00	18.50 (note a)
2007B	31.8.2007	31.8.2007–1.10.2010	1.10.2008–26.3.2014	37.00	18.50 (note a)
2007C	31.8.2007	31.8.2007–1.10.2010	1.10.2008–26.3.2014	37.00	18.50 (note a)
Under the 2009 Share Option Scheme					
2009 (note b)	2.2.2009 (note c)	2.2.2009–7.2.2012	7.2.2010–26.3.2014	6.40	6.40

Notes:

- (a) The exercise price has been adjusted upon sub-division of shares of LIHL of HK\$0.1 to HK\$0.005 on 27 September 2007.
- (b) During the year ended 31 December 2009, 20,400,000 share options were newly granted as replacement for the cancelled share options under option types of 2007A and 2007B and this is accounted for as a modification of the original share options.
- (c) Option subject to approval by independent shareholders was proposed and granted by the Board of Directors of LIHL on 2 February 2009. The approval was subsequently obtained on 3 March 2009.

The following table discloses movements of LIHL's share options held by certain employees of the Group and directors of the Company:

For the year ended 31 December 2010

Option type	Outstanding at 1 January 2010	Exercised during year	Outstanding at 31 December 2010
2005	160,000	—	160,000
2007C	17,020,000	—	17,020,000
2009	760,000	(64,000)	696,000
Total	17,940,000	(64,000)	17,876,000
Exercisable at end of the year			17,420,000
	HK\$	HK\$	HK\$
Weighted average exercise price per share	17.88	6.40	17.92

For the year ended 31 December 2011

Option type	Outstanding at 1 January 2011	Exercised during year	Outstanding at 31 December 2011
2005	160,000	—	160,000
2007C	17,020,000	—	17,020,000
2009	696,000	(30,000)	666,000
Total	<u>17,876,000</u>	<u>(30,000)</u>	<u>17,846,000</u>
Exercisable at end of the year			<u>17,618,000</u>
	HK\$	HK\$	HK\$
Weighted average exercise price per share	<u>17.92</u>	<u>6.40</u>	<u>17.94</u>

For the year ended 31 December 2012

Option type	Outstanding at 1 January 2012 and 31 December 2012
2005	160,000
2007C	17,020,000
2009	666,000
Total	<u>17,846,000</u>
Exercisable at end of the year	<u>17,846,000</u>
	HK\$
Weighted average exercise price per share	<u>17.94</u>

For the six month end 30 June 2013

Option type	Outstanding at 1 January 2013 and 30 June 2013
2005	160,000
2007C	17,020,000
2009	666,000
Total	<u>17,846,000</u>
Exercisable of the end of the period	<u>17,846,000</u>
	HK\$
Weighted average exercise prior per share	<u>17.94</u>

In respect of the share options exercised during the years ended 31 December 2010 and 2011, the weighted average share price at the dates of exercise is HK\$6.40 and HK\$6.40, respectively.

During the year ended 31 December 2009, share option was granted on 3 March 2009. The estimated fair values of the option granted on that date was as follows:

	Grant date	Fair value <i>HK\$</i>
2009	3.3.2009	0.98 per share option

The closing prices of LIHL's shares immediately before 3 March 2009 is HK\$5.78.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2009	2007A	2007B	2007C	2006	2005
Share price on grant date	HK\$5.53	HK\$33.80	HK\$33.80	HK\$43.80	HK\$13.15	HK\$12.15
Adjusted share price on grant date	HK\$5.53	HK\$16.90	HK\$16.90	HK\$21.90	HK\$6.58	HK\$6.08
Exercise price	HK\$6.40	HK\$37.00	HK\$37.00	HK\$37.00	HK\$12.74	HK\$12.32
Adjusted exercise price	HK\$6.40	HK\$18.50	HK\$18.50	HK\$18.50	HK\$6.37	HK\$6.16
Expected volatility	55.26%	32%	32%	32%	30.71%	32.47%
Expected life	1.5 to 3.5 years	2.6 to 4.6 years	1.6 to 3.6 years	1.5 to 3.5 years	5.5 years	8.5 years
Risk-free rate	0.57%–1.27%	4.09% to 4.23%	4.03% to 4.16%	3.81% to 4.00%	4.55%	4.18%
Expected dividend yield	4.34%	1.22%	1.22%	1.22%	2.52%	2.73%

Expected volatility was determined by using the historical volatility of the LIHL's share price in the preceding year. The expected life used in the model has been made, based on management's best estimate and take into account the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised an expense in the combined statements of profit or loss and other comprehensive income of approximately HK\$550,000, HK\$30,000, HK\$1,000, HK\$1,000 (unaudited) and nil for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively in relation to share options granted by LIHL to the management of the Group and were treated as deemed contribution from LIHL and credited to capital reserve.

33. DISPOSAL OF A SUBSIDIARY

(a) Disposal of Shenyang Jiajian

On 17 June 2011, the Group entered into a sale and purchase agreement with an independent third party for the disposal of 90% equity interests in a subsidiary, Shenyang Jiajian, at a cash consideration of RMB540,000,000 (equivalent to approximately HK\$657,726,000). The transaction was completed on 31 October 2011.

Analysis of assets and liabilities disposed of:

	<i>HK\$'000</i>
Investment property	662,352
Property, plant and equipment	23
Other receivables	2,710
Bank balances and cash	61,000
Other payables	(38,273)
Litigation provisions	(142,125)
Tax payables	(56)
Deferred tax liabilities	<u>(78,102)</u>
	<u>467,529</u>
Gain on disposal of a subsidiary:	
Consideration received and receivable	657,726
Net assets disposed of	(467,529)
Financial assets at fair value through profit or loss retained	<u>35,065</u>
Gain on disposal	<u>225,262</u>
Net cash inflow arising on disposal:	
Cash consideration received	657,726
Less: Bank balances and cash disposed of	<u>(61,000)</u>
	<u>596,726</u>

(b) Disposal of Li Hua Jia (Tianjin)

On 31 December 2012, the Group entered into the Tianjin Disposal Agreement for disposal of the entire equity interest in Li Hua Jia (Tianjin), at a total cash consideration of RMB545,000,000 (equivalent to approximately HK\$677,980,000) less all loans, including principal or interest, outstanding and owed by Li Hua Jia (Tianjin) to other subsidiaries of the Company in an aggregate amount of approximately RMB99,000,000 (equivalent to HK\$123,156,000) ("**Outstanding Loans**") as at the date of completion, subject to the adjusting condition as set out below. The assets and liabilities of Li Hua Jia (Tianjin) had been classified as a disposal group held for sale and were presented separately in the combined statement of financial position as at 31 December 2012.

Pursuant to the Tianjin Disposal Agreement, the Group shall reimburse to the purchaser of an amount equal to the net current liabilities in the management account of Li Hua Jia (Tianjin) at the completion date after repayment of the Entrusted Loans and an amount of approximately RMB4,449,000 (equivalent to approximately HK\$5,535,000) was paid by the Group to the Purchaser. The transaction was completed on 25 April 2013 and the final total consideration is RMB540,551,000 (equivalent to approximately HK\$672,445,000).

HK\$'000

Analysis of assets and liabilities disposed of:

Investment property	647,920
Property, plant and equipment	12,683
Rental and other receivables	2,857
Bank balances and cash	1,995
Deferred tax liabilities	(57,520)
Other payables and rental deposits received	(7,782)
Amounts due to subsidiaries of LIHL	<u>(123,156)</u>
Net assets disposed of	<u>476,997</u>

Gain on disposal of a subsidiary

Consideration received and receivable representing:

Receipt in advance in 2012	37,320
Consideration receivable (<i>note</i>)	326,880
Cash consideration received by the Group	169,713
Cash consideration received by subsidiaries of LIHL	<u>123,156</u>

	657,069
Less: Amounts due to subsidiaries of LIHL	<u>(123,156)</u>

	533,913
Net assets disposed of	<u>(476,997)</u>

Gain on disposal	<u>56,916</u>
------------------	---------------

Net cash inflow arising on disposal

Cash consideration received by the Group	169,713
Less: bank balances and cash disposed of	<u>(1,995)</u>
	<u>167,718</u>

Note: Pursuant to the Tianjin Disposal Agreement, the final payment of RMB272,500,000 (equivalent to approximately HK\$339,768,000) (the "Final Payment") shall be payable to the Group within nine months from the completion date by the purchaser and Guarantee Deposit of RMB2,000,000 (equivalent to approximately HK\$2,488,000) representing part of the consideration payable withheld by purchaser shall be released to the Group on or before 25 April 2014. The Final Payment with deferred payment term is recognised at amortised cost with effective interest of 6.0% p.a. and fair value adjustment of approximately RMB11,734,000 (equivalent to approximately HK\$15,376,000) is recognised at the completion date.

In the opinion of the directors of the Company, the fair value of the investment property at the disposal date approximates the fair value at 31 December 2012. The asset revaluation reserve and exchange reserve previously recognised in equity were transferred to retained profits upon disposal of the subsidiary.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises which fall within one year	—	75	51	97

The Group as lessor

Property rental income earned during the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were HK\$1,424,000, HK\$14,950,000, HK\$20,809,000 and HK\$4,490,000, respectively. At the end of each reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	11,882	16,272	13,218	—
In the second to fifth year inclusive	34,508	39,118	28,148	—
Over five years	4,596	923	619	—
	<u>50,986</u>	<u>56,313</u>	<u>41,985</u>	<u>—</u>

Leases are generally negotiated for terms ranging from two to six years.

In addition, the Group had contracted with its tenants to receive contingent rentals based on an agreed percentage of the tenant's monthly gross turnover for terms ranging from two to six years. During the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013, the Group received contingent rental income of approximately nil, nil, HK\$86,000 and nil, respectively.

35. CAPITAL COMMITMENTS

	THE GROUP			
	At 31 December			At 30 June
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:				
— Authorised but not contracted for	674,500	1,100	—	—
— Contracted for but not provided in the Financial Information	51,724	34,750	28,066	10,671
	<u>726,224</u>	<u>35,850</u>	<u>28,066</u>	<u>10,671</u>

36. RELATED PARTY DISCLOSURES

(a) Transactions

During the Track Record Period, other than those disclosed in notes 19, 21, 27 and 28 above, the Group had entered into the following significant transactions with the following related parties:

Name of related parties	Relationship	Nature of transaction	Year ended 31 December			Six months ended	
			2010	2011	2012	30 June	2013
			HK\$'000	HK\$'000	HK\$'000	2012	2013
						(unaudited)	
Beijing Chow Tai Fook Jewellery Company Limited ("北京周大福珠寶金行有限公司") ("Beijing Chow Tai Fook")	Related company (note i)	Rental income received Management fee income received	172 37	1,994 1,225	3,406 923	1,656 293	1,475 49
Hui Fu	Fellow subsidiary (note ii)	Interest expense paid by the Group	969	848	666	328	34
Lifestyle (China) Investment	Fellow subsidiary (note ii)	Interest expense paid by the Group	—	350	1,045	512	375

Notes:

- (i) Beijing Chow Tai Fook is a subsidiary of Chow Tai Fook Jewellery Group Limited, Dato' Dr. Cheng Yu-tung and Dr. Cheng Kar-shun, Henry, directors of LIHL, the immediate holding company of the Company, have control over Beijing Chow Tai Fook.
- (ii) Hui Fu and Lifestyle (China) Investment are subsidiaries of LIHL, which is the immediate holding company of the Company.

(b) Compensation of key management personnel

The remuneration of the executive directors of LIHL during the Track Record Period was determined by the remuneration committee of LIHL having regard to the performance of the individuals and comparable companies in the market. Details are disclosed in note 13 above. The remuneration of two executive directors and a non-executive director and certain key management paid/payable by LIHL were allocated to the Group amounting to HK\$2,999,000, HK\$4,016,000, HK\$2,518,000, HK\$870,000 (unaudited) and HK\$680,000 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The amounts are credited to capital reserve and treated as deemed contribution from LIHL.

37. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the Group had recognised Remuneration borne by LIHL without recharging to the Group amounting to HK\$5,542,000, HK\$5,571,000, HK\$3,475,000, HK\$2,326,000 and HK\$921,000, respectively, as deemed contribution from LIHL and credited to capital reserve.

F. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or payable by the Group to the directors of the Company in respect of the Track Record Period.

Under the arrangement presently in force, the aggregate remuneration of the directors of the Company for the year ending 31 December 2013 is approximately HK\$1.4 million.

G. EVENTS AFTER END OF REPORTING PERIOD

The following events took place subsequent to 30 June 2013:

- (a) On 9 August 2013, Swift Rich acquired the entire issued share capital of Joyful Cheer from Herosmart for a consideration of HK\$1.
- (b) On 14 August 2013, pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, the Company and LIHL, Total Prestige acquired from Beauty Power the entire issued share capital of Sonic Plus and shareholder's loan to Sonic Plus in the sum of approximately HK\$109,928,000 on 14 August 2013 for a consideration of approximately HK\$109,928,000, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to LIHL as directed by Beauty Power. In consideration of the issue of such 1,000 new shares by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.
- (c) On 14 August 2013, pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, the Company and LIHL, Total Prestige acquired from Beauty Power the entire issued share capital of Joyous Wing and shareholder's loan to Joyous Wing in the sum of approximately HK\$141,123,000 on 14 August 2013 for a consideration of approximately HK\$141,123,000, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to LIHL as directed by Beauty Power. In consideration of the issue of such 1,000 new shares by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.
- (d) On 14 August 2013, pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, the Company and LIHL, Total Prestige acquired from Beauty Power the entire issued share capital of Good Insight and shareholder's loan to Good Insight in the sum of approximately HK\$774,690,000 on 14 August 2013 for a consideration of approximately HK\$774,690,000, which was satisfied by way of the Company allotting and issuing 7,000 shares of HK\$1.00 each, credited as fully paid, to LIHL as directed by Beauty Power. In consideration of the issue of such 7,000 new shares by the Company to

satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.

- (e) On 14 August 2013, pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Vision Pilot, Total Prestige, the Company and LIHL, Total Prestige acquired from Vision Pilot the entire issued share capital of Statevalue on 14 August 2013 for a consideration of HK\$7.8, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to LIHL as directed by Vision Pilot. In consideration of the issue of such 1 new share by the Company to satisfy the transfer consideration on behalf of Total Prestige, Total Prestige was deemed to be indebted to the Company an amount equivalent to the transfer consideration.
- (f) On 20 August 2013, pursuant to the written resolutions of the sole shareholder of the Company passed on 20 August 2013, each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company was subdivided into 10 shares of HK\$0.10 each so that the share capital of the Company comprised 90,030 issued shares and 3,709,970 unissued shares of HK\$0.10 each and the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional of 1,996,200,000 shares.
- (g) On 26 August 2013, written resolutions were passed by the sole shareholder of the Company, to approve the matters set out in the paragraphs headed "Written resolutions of the sole Shareholder on 26 August 2013" in Appendix VI to the Prospectus, which includes the directors of the Company were authorised to capitalised a sum of approximately HK\$33,211,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 332,109,970 shares of the Company for allotment and issue to LIHL.

H. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 30 June 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013, as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 as if it had taken place on 30 June 2013. This unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as of 30 June 2013 or at any future date.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 <i>HK\$'000</i> <i>(note 1)</i>	Estimated net proceeds from Share Offer <i>HK\$'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share <i>HK\$</i> <i>(note 3)</i>
Based on an Offer Price of HK\$1.80 per Share	557,457	136,189	693,646	1.67
Based on an Offer Price of HK\$2.43 per Share	557,457	187,536	744,993	1.79

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 has been extracted from the audited combined financial information in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

- (2) Estimated net proceeds from the Share Offer are based on 83,600,000 Shares to be issued under the Share Offer and the Offer Price of HK\$1.80 and HK\$2.43 per Offer Share, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses payable by the Group in connection with the Share Offer and assuming the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 415,800,000 Shares expected to be in issue assuming that the Reorganisation and the Share Offer had been completed on 30 June 2013, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to the audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2013. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above have not been adjusted to show the effect of the settlement of the amounts due to fellow subsidiaries.

Subsequent to 30 June 2013, as part of the Reorganisation, the amounts due to fellow subsidiaries of approximately HK\$1,025,741,000 have been settled by way of issue of 9,001 shares of the Company (before share sub-division) to satisfy the consideration for acquisition of certain subsidiaries now comprising the Group (the "Settlement"). No pro forma adjustment has been made to the combined net tangible assets of the Group in connection with the Settlement.

The amounts due to fellow subsidiaries of approximately HK\$1,025,741,000, representing the amounts due by the Group to subsidiaries of Parentco as at 30 June 2013, has been adjusted in the table below for illustrative purposes, after taking into account of the Settlement. The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share after taking into account of the Settlement is arrived at on the basis that 415,800,000 Shares expected to be in issue immediately following the Share Offer, assuming the Reorganisation, the Share Offer and the Settlement (forming part of the Reorganisation) had been completed on 30 June 2013, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company taking into account of the Settlement HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share taking into account of the Settlement HK\$
Based on an Offer Price of HK\$1.80 per Share	1,719,387	4.14
Based on an Offer Price of HK\$2.43 per Share	1,770,734	4.26

B. ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF LIFESTYLE PROPERTIES DEVELOPMENT LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lifestyle Properties Development 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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2013 and related notes as set out on Section A of Appendix II to the prospectus issued by the Company dated 2 September 2013 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on Section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing on the Group's financial position as at 30 June 2013 as if the proposing listing had taken place at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2012 and the six months ended 30 June 2013, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in 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 30 June 2013 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2 September 2013

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地產代理(公司)牌照號碼
Estate Agent's Licence No: C-004065

2 September 2013

The Board of Directors
Lifestyle Properties Development Limited
20/F, East Point Centre
555 Hennessy Road
Causeway Bay
Hong Kong

Dear Sirs,

In accordance with the instructions for us to value the property interests (the "Properties") held by Lifestyle Properties Development Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the Properties as at 30 June 2013 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined by the HKIS Valuation Standards to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation is prepared in accordance with the "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors (the "HKIS"). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Our valuation has been made on the assumption that the owner sells the Properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Properties.

Unless otherwise stated, all the property interests are valued by the direct comparison approach on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise with the benefit of vacant possession. Comparison is based on

prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are property interests held by the Group, we have valued each of the property interests by the direct comparison approach assuming sales of each of the property interests in their existing state subject to existing tenancies or otherwise with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. We have also valued the property interests by the term & reversion method or direct capitalization method. Term & reversion method takes into account the current rents passing of the property interests and the reversionary potentials of the tenancies. Direct capitalization method is applied with appropriate capitalization rate in converting the rental income into capital value.

For the property interests in Group II, which is property interests held by the Group for development, we have valued the property interests on the basis that the property interests will be or can be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals from relevant authorities for such schemes have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market to arrive at the capital value of the property interests as if the property interests were completed at the date of valuation and have also taken into account the development costs already spent and to be spent to reflect the quality of the completed development. In our valuation, the property interests for development are those in which the Construction Works Completion Certified Report(s) has (have) not been issued while the State-owned Land Use Rights Certificate(s) has (have) been obtained.

For the property interests in Group III, which is property interests to be held by the Group, as for which the Group has entered into agreements with relevant owner of the property or government authority or entered into share transfer agreements, but for which the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have ascribed no commercial value to the property interests.

For the property interests in Group IV, which are property interests rented by the Group, we considered they have no commercial value due to the prohibition against assignments or sub-letting and/or due to the lack of substantial profit rent.

In the course of our valuation for the property interests in Hong Kong, land searches have been conducted at the Land Registry in Hong Kong. For the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal adviser, Zhong Lun Law Firm (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to the property interests in the PRC. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, development schemes, outstanding development costs, statutory notices, easements, tenancies, floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free of encumbrances, restrictions and outgoing of onerous nature which could affect their values. We have valued the Properties on the assumption that they are freely transferable for their existing uses for the whole of the unexpired term of land use rights as granted to both local and overseas purchasers without payment of any premium to the relevant authorities.

We have inspected the Properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the Properties are free of rot, infestation or any other structural defects.

No site investigation was carried out to determine the suitability of the subsoil condition and services etc. for the construction of building and we have assumed that these aspects are satisfactory. Our valuation does not make any allowance for contamination or pollution of the land, if any, which may be occurred as a result of past usage.

The site inspection was carried out in December 2012 and January 2013 by Ms. Nicole Liu and Mr. Felix Liu, a China Real Estate Appraiser.

Unless otherwise stated, all monetary amounts are stated in Hong Kong Dollars ("HK\$"). The prevailing exchange rate as at the date of valuation is Renminbi ("RMB") 1 = HK\$1.263.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
CBRE Limited
Leo M Y Lo *MRICS MHKIS RPS(GP)*
Senior Director
Valuation & Advisory Services
Greater China

Note: Mr. Leo M Y Lo is a Registered Professional Surveyor (General Practice), a member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 9 years' valuation experience in the PRC and Hong Kong.

SUMMARY OF VALUES

Property	Capital value in existing state as at 30 June 2013 (HK\$)	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2013 (HK\$)
Group I — Property interests held by the Group			
1. Workshop C3 on 11th Floor, workshops C3, C5, C6, C7 and C8 on 12th Floor of Block C and car parking spaces no. 107 and 108 on basement, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	40,700,000	100%	40,700,000
2. A commercial development, Nos. 152–158 Jiaozhou Road, Shibe District, Qingdao City, Shandong Province, the PRC	318,600,000 <i>(equivalent to about RMB252,300,000)</i>	100%	318,600,000 <i>(equivalent to about RMB252,300,000)</i>
Sub-total:	359,300,000		359,300,000
Group II — Property interests held by the Group for development			
3. The developing commercial building located at No. 86 Zhongyang Avenue, Daoli District, Harbin City, Heilongjiang Province, the PRC	347,100,000 <i>(equivalent to about RMB274,800,000)</i>	100%	347,100,000 <i>(equivalent to about RMB274,800,000)</i>
Sub-total:	347,100,000		347,100,000

Property	Capital value in existing state as at 30 June 2013 (HK\$)	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2013 (HK\$)
Group III — Property interests to be held by the Group			
4. A parcel of land at western side of Zhengyang Street, Shenhe District, Shenyang City, Liaoning Province, the PRC			No commercial value (Note i)
Sub-total:			No commercial value
Group IV — Property interests rented by the Group			
5. A portion of 20th Floor, East Point Centre, No. 555 Hennessy Road, Causeway Bay Hong Kong			No commercial value
6. Three leased properties in the PRC			No commercial value
Sub-total:			No commercial value
Grand Total:	706,400,000		706,400,000

Note i: Had the Group obtained State-owned Land Use Rights Certificate(s) or equivalent, the capital values of the property in existing state as at 30 June 2013 for Plan A and Plan B are as below. Please refer to page III-12 for the details of this property.

Plan	Capital value in existing state as at 30 June 2013 (HK\$)	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2013 (HK\$)
Plan A	750,200,000 (equivalent to RMB594,000,000)	100%	750,200,000 (equivalent to RMB594,000,000)
Plan B	585,900,000 (equivalent to RMB463,900,000)	100%	585,900,000 (equivalent to RMB463,900,000)

VALUATION CERTIFICATE

Group I — Property interests held by the Group

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2013																
1. Workshop C3 on 11th Floor, workshops C3, C5, C6, C7 and C8 on 12th Floor of Block C and car parking spaces no. 107 and 108 on basement, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (59/7,700th equal and undivided shares of and in Section C, D, F of New Kowloon Inland Lot No. 3515) The property is located at centre of Cheung Sha Wan which is 3 minute walk away from MTR.	The property comprises a workshop on level 11, 5 workshops on level 12 and 2 car parking spaces on basement in a 14-storey industrial building, including a basement level, completed in 1982. The property has a total gross floor area of approximately 940.55 sq.m. (10,124 sq.ft.) with floor area breakdown as below: <table border="1"> <thead> <tr> <th>Unit, floor</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>C3, 11/F</td> <td>174.66</td> </tr> <tr> <td>C3, 12/F</td> <td>174.66</td> </tr> <tr> <td>C5, 12/F</td> <td>152.82</td> </tr> <tr> <td>C6, 12/F</td> <td>150.04</td> </tr> <tr> <td>C7, 12/F</td> <td>150.04</td> </tr> <tr> <td>C8, 12/F</td> <td>138.33</td> </tr> <tr> <td>Total</td> <td>940.55</td> </tr> </tbody> </table> Section C, D and F of New Kowloon Inland Lot No. 3515 are held under Conditions of Sale No. UB4268 for a term of 75 years renewable for a further term of 24 years commencing from 1 July 1898 and is statutorily extended to 30 June 2047. The Government Rent payable for the lots is HK\$15,016 per annum.	Unit, floor	GFA (sq.m.)	C3, 11/F	174.66	C3, 12/F	174.66	C5, 12/F	152.82	C6, 12/F	150.04	C7, 12/F	150.04	C8, 12/F	138.33	Total	940.55	The property is currently vacant.	HK\$40,700,000 (100% interests attributable to the Group: HK\$40,700,000)
Unit, floor	GFA (sq.m.)																		
C3, 11/F	174.66																		
C3, 12/F	174.66																		
C5, 12/F	152.82																		
C6, 12/F	150.04																		
C7, 12/F	150.04																		
C8, 12/F	138.33																		
Total	940.55																		

Notes:

- The registered owner of workshop C3 on 11th Floor, workshop C3 on 12th Floor of Block C and car parking spaces no. 107 and 108 on basement, Hong Kong Industrial Centre is Gain High Limited ("Gain High", a fellow subsidiary of the Company) as per memorial dated 2 July 2009 registered vide memorial no. 09071301700165.
- The registered owner of workshops C5, C6, C7 and C8 on 12th Floor of Block C, Hong Kong Industrial Centre is Gain High as per memorial dated 2 July 2009 registered vide memorial no. 09071301700175.
- The property lies within an area zoned as "Other Specified Uses (Business)" under Cheung Sha Wan Outline Zoning Plan No. S/K5/33.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2013								
2. A commercial development, Nos. 152–158 Jiaozhou Road, Shibei District, Qingdao City, Shandong Province, the PRC The property is located at the centre of Zhongshan Road Commercial Area, which is an old town area of Qingdao where parks, monuments, hotels and shopping malls are found.	The property comprises a 12-storey commercial building erected on 4-storey basements for retail use completed in 2004.	Portions of Level 8 have been occupied by the Group as office.	HK\$318,600,000 <i>(equivalent to RMB252,300,000)</i>								
	The property is having a site area of approximately 2,159.70 sq.m. and a gross floor area of approximately 26,507.07 sq.m., with floor area breakdown as below:	The remaining portion of the property is currently vacant.	(100% interests attributable to the Group: HK\$318,600,000 <i>(equivalent to RMB252,300,000)</i>)								
	<table border="1"> <thead> <tr> <th>Level</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Above ground</td> <td>20,047.87</td> </tr> <tr> <td>Basement</td> <td><u>6,459.20</u></td> </tr> <tr> <td>Total</td> <td><u><u>26,507.07</u></u></td> </tr> </tbody> </table>	Level	GFA (sq.m.)	Above ground	20,047.87	Basement	<u>6,459.20</u>	Total	<u><u>26,507.07</u></u>		
Level	GFA (sq.m.)										
Above ground	20,047.87										
Basement	<u>6,459.20</u>										
Total	<u><u>26,507.07</u></u>										
	The property provides 52 car parking spaces at basement level 2 and 3.										
	The property is held under a Property Ownership Certificate for commercial use with land use term to be expired on 31 March 2036.										

Notes:

1. Pursuant to Property Ownership Certificate Qing Fang Di Quan Shi Zi No. 389869 dated 28 September 2008, the land use rights of the property with site area of approximately 2,159.70 sq.m. and building ownership of the property with gross floor area of approximately 26,507.07 sq.m. have been granted to Lifestyle Plaza (Qingdao) Co., Ltd. ("Lifestyle Plaza (Qingdao)", a fellow subsidiary of the Company) for commercial use and a land use term to be expired on 31 March 2036.
2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (a) The Group legally owns the land use rights and corresponding building ownership and is entitled to transfer, lease, mortgage or otherwise dispose of the property.
 - (b) Pursuant to the Construction Works Commencement Permit, the development should be completed by April 1998. Qingdao Itokin Enterprises Co., Ltd. ("Qingdao Itokin") has completed the filing of the inspection report for the finished construction work on December 2005. There exists a risk that the land would be confiscated without any compensation for such delay of completion of construction works. The Group's PRC legal adviser opines the risk that the land would be confiscated is relatively small since the inspection formalities for the finished construction work have been completed and Property Ownership Certificate have been issued. In addition, as confirmed by the Group, Qingdao Itokin has not been subject to any administrative penalty for such delay.

- (c) The consideration payable under the State-owned Land Use Rights Grant Contract has been settled in full and the invoice of deed tax for the land (i.e. 6% of the consideration) has not been provided. Under to Article 5 of the then effective Interim Regulations of the People's Republic of China on the Deed Tax (《契稅暫行條例》), the "Regulations on Deed Tax", the applicable rate for deed tax in 1996 was 6 per cent of the total transfer price of the land use right. Based on the transfer price of the land use right of the land on which the property was constructed, the payable deed tax should be approximately RMB3,080,884. In addition, under Article 14 of the Regulations on Deed Tax, if the obligator fails to pay the deed tax, it may be subject to an overdue fine up to fifty per cent of the amount of the payable deed tax.

Based on the experiences of the PRC Legal Advisers and the telephone consultations made by the PRC Legal Advisers with the competent land administration authorities in Qingdao, payment of the full amount of deed tax is a prerequisite requirement for the land administration authorities to issue the land use right certificates concerned. If the land use right certificates are granted, the logical conclusion is that the land use right owner has already paid the deed tax in full. Given that Lifestyle Plaza (Qingdao) has been granted land use right certificates concerned, the PRC Legal Advisers is of the view that the likelihood that Lifestyle Plaza (Qingdao) has not paid the deed tax in full is very low.

Additionally, pursuant to Article 68 of the PRC Law of Administration of the Levying and Collection of Taxes (《中華人民共和國稅收徵收管理法》) promulgated on 28 April 2001, where a taxpayer or a withholding agent fails to pay or underpays the amount of tax that should be paid or remitted within the prescribed time limit and, after having ordered by the tax authorities to pay or remit the tax amount within a time limit, still fails to do so on the expiration of the time limit, the tax authorities may impose a fine of not less than 50 percent but not more than five times the amount of tax failed to be paid or underpaid or failed to be remitted (Pursuant to Notice of the State Administration of Taxation on the Relevant Issues on Implementing the PRC Law of Administration of the Levying and Collection of Taxes (《國家稅務總局關於貫徹實施〈中華人民共和國稅收徵收管理法〉有關問題的通知》) promulgated by SAT on 18 May 2001 (the "2001 SAT Notice"), if the violation of related tax laws occurred before 30 April 2001, the provision of a fine of not more than five times shall apply.). However, Article 86 further provides that if any violation of the laws or administrative regulations on tax collection which deserves administrative penalties is not identified for five years, no administrative penalties shall be imposed any longer. Pursuant to relevant provisions of the 2011 SAT Notice and PRC Law of Administrative Penalty (《中華人民共和國行政處罰法》), if the violation of tax laws which shall be subject to administrative penalties occurred before 30 April 2001, the time bar for its administrative penalties shall be 2 years. Pursuant to the above provisions, given that the obligations of Lifestyle Plaza (Qingdao) to pay deed tax accrued in 1996, even if it had failed to pay the deed tax, no penalties shall be imposed for such failure as the 2-year time bar applies.

- (d) The property has not been mortgaged, seized nor subject to any other dispute.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for development

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2013								
3. The developing commercial building located at No. 86 Zhongyang Avenue, Daoli District, Harbin City, Heilongjiang Province, the PRC	Upon completion, the property will comprise a 5-storey commercial building for retail use with gross floor area of approximately 10,090.12 sq.m., with floor area breakdown as below:	The property is currently vacant.	HK\$347,100,000 (equivalent to RMB274,800,000) (100% interests attributable to the Group: HK\$347,100,000) (equivalent to RMB274,800,000)								
	<table border="1"> <thead> <tr> <th>Level</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Above ground</td> <td>8,792.19</td> </tr> <tr> <td>Basement</td> <td><u>1,297.93</u></td> </tr> <tr> <td>Total</td> <td><u>10,090.12</u></td> </tr> </tbody> </table>	Level	GFA (sq.m.)	Above ground	8,792.19	Basement	<u>1,297.93</u>	Total	<u>10,090.12</u>		
Level	GFA (sq.m.)										
Above ground	8,792.19										
Basement	<u>1,297.93</u>										
Total	<u>10,090.12</u>										
	<p>The property is located at the south-end of Zhongyang Avenue, which has been one of the most prosperous commercial hub in Harbin.</p> <p>As advised by the Group, the construction works of the property have been completed and is pending for the application of Construction Works Completion Certificated Report.</p> <p>The property is held under a State-owned Land Use Rights Certificate for commercial use for land use term to be expired on 25 March 2036.</p>										

Notes:

- Pursuant to State-owned Land Use Rights Certificate Ha Guo Yong (2011) No. 02006025 dated 18 April 2011, the land use rights of the property with site area of approximately 1,960.2 sq.m., on which the property is erected, have been granted to Harbin Lifu Commercial Building Co., Ltd. ("Harbin Lifu", a fellow subsidiary of the Company) for commercial use and a land use term to be expired on 25 March 2036.
- Pursuant to the Construction Land Use Planning Permit No. 95-369 dated 7 December 1995, a development with planned land area of 2,000 sq.m. for commercial and office uses has been permitted.
- Pursuant to the Construction Works Planning Permit No. (96) Cheng Gui Guan Zi No. (1040) dated 3 January 1997, a development with planned gross floor area of 12,673 sq.m. has been permitted to be developed by Harbin Itokin Enterprises Co., Ltd. ("Harbin Itokin").
- Pursuant to the Construction Works Commencement Permit No. 2003.429 dated 16 October 2003, a project named Itokin Commercial Building with planned gross floor area of 10,090 sq.m. has been permitted to be developed by Harbin Itokin.
- Approximately RMB75,000,000 of construction cost reflecting the physical state of the construction on site was incurred as at the date of valuation. The incurred cost has already been taken into account in the valuation.

6. The gross development value is estimated to be approximately RMB274,800,000 and there is no estimated outstanding cost to complete the construction since the construction work has been completed as at the date of valuation.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (a) The Group legally owns the land use rights and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights.
 - (b) Pursuant to an Amendment Agreement on State-owned Land Use Rights Grant Contract, the name of assignee on State-owned Land Use Rights Grant Contract has been amended from Harbin Itokin to Harbin Lifu.
 - (c) Pursuant to two sets of Amendment on Planning and Administrative Approval Confirmation Letter dated 27 December 2011 and 28 December 2011, the name of developer on Construction Land Use Planning Permit and Construction Works Planning Permit has been amended from Harbin Itokin to Harbin Lifu.
 - (d) Pursuant to an Amendment on Administrative Approval Confirmation Letter dated 2 May 2012, the name of developer on Construction Works Commencement Permit has been amended from Harbin Itokin to Harbin Lifu.
 - (e) The consideration payable under the State-owned Land Use Rights Grant Contract has been settled in full and the invoice of deed tax for the land (i.e. 6% of the consideration) has not been provided. Under Article 5 of the then effective "Regulations on Deed Tax", the applicable rate for deed tax in 1996 was 6 per cent of the total transfer price of the land use right. Based on the transfer price of the land use right of the land on which the property was constructed, the payable deed tax should be approximately RMB1,235,520. In addition, under Article 14 of the Regulations on Deed Tax, if the obligator fails to pay the deed tax, it may be subject to an overdue fine up to fifty per cent of the amount of the payable deed tax.

Based on the experiences of the PRC Legal Advisers and the telephone consultations made by the PRC Legal Advisers with the competent land administration authorities in Harbin, payment of the full amount of deed tax is a prerequisite requirement for the land administration authorities to issue land use right certificates concerned. If the land use right certificates are granted, the logical conclusion is that the land use right owner has already paid the deed tax in full. Given that Harbin Lifu has been granted land use right certificates concerned, the PRC Legal Advisers is of the view that the likelihood that Harbin Lifu has not paid the deed tax in full is very low.

Additionally, pursuant to Article 68 of the PRC Law of Administration of the Levying and Collection of Taxes (《中華人民共和國稅收徵收管理法》) promulgated on 28 April 2001, where a taxpayer or a withholding agent fails to pay or underpays the amount of tax that should be paid or remitted within the prescribed time limit and, after having ordered by the tax authorities to pay or remit the tax amount within a time limit, still fails to do so on the expiration of the time limit, the tax authorities may impose a fine of not less than 50 percent but not more than five times the amount of tax failed to be paid or underpaid or failed to be remitted (Pursuant to Notice of the State Administration of Taxation on the Relevant Issues on Implementing the PRC Law of Administration of the Levying and Collection of Taxes (《國家稅務總局關於貫徹實施〈中華人民共和國稅收徵收管理法〉有關問題的通知》) promulgated by SAT on 18 May 2001 (the "2001 SAT Notice"), if the violation of related tax laws occurred before 30 April 2001, the provision of a fine of not more than five times shall apply.). However, Article 86 further provides that if any violation of the laws or administrative regulations on tax collection which deserves administrative penalties is not identified for five years, no administrative penalties shall be imposed any longer. Pursuant to relevant provisions of the 2011 SAT Notice and PRC Law of Administrative Penalty (《中華人民共和國行政處罰法》), if the violation of tax laws which shall be subject to administrative penalties occurred before 30 April 2001, the time bar for its administrative penalties shall be 2 years. Pursuant to the above provisions, given that the obligations of Harbin Lifu to pay deed tax accrued in 1996, even if it had failed to pay the deed tax, no penalties shall be imposed for such failure as the 2-year time bar applies.

- (f) Pursuant to the Construction Works Commencement Permit, the development should be completed by September 2004. The Group's PRC legal adviser opines the risk that Harbin Lifu will be liable for the administrative penalty is relatively small given that the transfer of Land Use Rights from Harbin Itokin to Harbin Lifu have been approved by the People's Government of Harbin City, under Land Use Approval Ha Zheng Tu Gai (2010) No. 23, and the relevant conditions on State-owned Land Use Rights Grant Contract have been amended.
- (g) The filing of the inspection report for the finished construction work are expected to be obtained by 2013. Thereafter, Harbin Lifu has the right to apply for the registration of related property ownership.
- (h) The land use rights and the construction-in-progress have not been mortgaged, seized nor subject to any other dispute.
- (i) The construction-in-progress is constructed in its prescribed use.
8. We have prepared our valuation based on the following assumptions:
- (a) the property is sold on "as-is" condition;
- (b) the Group is in possession of a proper title to the property and is entitled to occupy, use, develop, lease, mortgage and transfer the property with the residual term of its land use rights to either local or overseas purchasers at no extra land premium or other onerous payment payable to the relevant authorities;
- (c) the proposed use of the property is in compliance with the planning land use;
- (d) all land premium, costs of resettlement and provision of public utilities have been fully settled; and
- (e) the design and construction of the property are in compliance with the local planning and building regulations and have been approved by the relevant authorities.
9. A summary of major certificates/approvals is shown as follows:
- | | |
|---|--|
| (a) State-owned Land Use Rights Grant Contract | N/A |
| (b) State-owned Land Use Rights Certificate | Yes |
| (c) Construction Land Use Planning Permit | Yes |
| (d) Construction Works Planning Permit | Yes |
| (e) Construction Works Commencement Permit | Yes |
| (f) Construction Works Completion Certificated Report | Pending, expected to be obtained by 2013 |

VALUATION CERTIFICATE

Group III — Property interests to be held by the Group

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2013 (HK\$)																																
<p>4. A parcel of land at western side of Zhengyang Street, Shenhe District, Shenyang City, Liaoning Province, the PRC</p> <p>The property is located at western side of Zhengyang Street, which is a well-known pedestrian walk in Shenyang.</p>	<p>The property comprises a land, with a site area of approximately 31,376 sq.m..</p> <p>As advised by the Group, two development schemes have been prepared, subject to 30-metre height limit (“Plan A”) and 15-metre height limit (“Plan B”) respectively.</p> <p>For Plan A, a 8-storey commercial complex with 3-storey basements with total planned gross floor area of approximately 188,252 sq.m. to be constructed on the property, with floor area breakdown as below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Level</th> <th style="text-align: right;">GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Above ground</td> </tr> <tr> <td>— Retail</td> <td style="text-align: right;">70,432</td> </tr> <tr> <td>— Office</td> <td style="text-align: right;">32,463</td> </tr> <tr> <td colspan="2">Below ground</td> </tr> <tr> <td>— Retail</td> <td style="text-align: right;">12,335</td> </tr> <tr> <td>— Car parking and facilities</td> <td style="text-align: right;"><u>73,022</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u><u>188,252</u></u></td> </tr> </tbody> </table> <p>For Plan B, a 4-storey commercial complex with 3-storey basements with total planned gross floor area of approximately 153,904 sq.m. to be constructed on the property, with floor area breakdown as below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Level</th> <th style="text-align: right;">GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Above ground</td> </tr> <tr> <td>— Retail</td> <td style="text-align: right;">47,796</td> </tr> <tr> <td>— Office</td> <td style="text-align: right;">20,751</td> </tr> <tr> <td colspan="2">Below ground</td> </tr> <tr> <td>— Retail</td> <td style="text-align: right;">15,643</td> </tr> <tr> <td>— Car parking and facilities</td> <td style="text-align: right;"><u>69,714</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u><u>153,904</u></u></td> </tr> </tbody> </table>	Level	GFA (sq.m.)	Above ground		— Retail	70,432	— Office	32,463	Below ground		— Retail	12,335	— Car parking and facilities	<u>73,022</u>	Total	<u><u>188,252</u></u>	Level	GFA (sq.m.)	Above ground		— Retail	47,796	— Office	20,751	Below ground		— Retail	15,643	— Car parking and facilities	<u>69,714</u>	Total	<u><u>153,904</u></u>	<p>The property is currently vacant.</p>	<p>No commercial value</p>
Level	GFA (sq.m.)																																		
Above ground																																			
— Retail	70,432																																		
— Office	32,463																																		
Below ground																																			
— Retail	12,335																																		
— Car parking and facilities	<u>73,022</u>																																		
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— Retail	15,643																																		
— Car parking and facilities	<u>69,714</u>																																		
Total	<u><u>153,904</u></u>																																		

Notes:

1. Pursuant to State-owned Land Use Rights Grant Contract No. 2101012011A0080 dated 28 December 2011 signed with the Planning and State-owned Land Resources Bureau of Shenyang City and the approval on granting of State-owned Land Use Rights to Shenyang Yifu Property Development Co., Ltd. Shen Zheng Di Chu Zi (2011) No. 0080 dated 1 August 2012 signed with the People's Government of Shenyang City, the land use rights of the property with site area of approximately 31,376 sq.m. has been contracted to be granted to Shenyang Yifu Property Development Co., Ltd. ("Shenyang Yifu", a wholly owned subsidiary of the Company) with land use term of 40 years for commercial use at consideration of RMB576,251,616.
2. It was the Group's understanding that the development of Yifu Land was subject to a 30-metre height limit during the process when the Yifu Land Grant Contract was concluded in December 2011. During the preliminary communication with competent local governmental authorities for the preparation for application of the Planning Permit for Construction Land (建設用地規劃許可證) in August 2012, the Group learnt from a planning drawing of Yifu Land made available by the Shenyang Planning and Design Institution that the development of the Yifu Land may be subject to a 15-metre height limit (instead of a 30-metre height limit which the Group understood during its acquisition of the Yifu Land). Thereafter, the Group started to seek clarifications with the relevant government departments including the District Government Office and Shenyang Planning & State-owned Land Resources Bureau. The Group received a letter dated 19 April 2013 from Shenhe District Government indicating that the planning standard shall remain the same as that applicable at the time of grant of Yifu Land, i.e. at a height not exceeding 30 metres. The Group further received a letter from Construction Management Office (建設工程管理處) of Shenyang Planning & Land Bureau dated 8 May 2013 confirming that the planning design scheme of Haiyanli-1 commercial project (i.e. the development project on Yifu Land) with a construction height of 29.9 metres had been preliminarily agreed by Shenyang Planning & Land Bureau, and the Group was requested to submit an alternative design scheme prepared based on comments given by the expert team (as organized by the said bureau) on the construction style after which Shenyang Planning & Land Bureau will consider granting further approval in accordance with municipal governments review opinion. In late July 2013, the Group submitted the alternative design scheme to Shenyang Planning & Land Bureau for review. A meeting with the expert team (organised by the said Bureau) was held on 8 August 2013 to discuss on such alternative design scheme. During the meeting, the expert team and representatives of the Shenhe District Government and the Shenyang Planning & Land Bureau, after listening to the Group's presentation, all indicated that they considered such alternative design to be generally acceptable with no further comments. Shenyang Planning & Land Bureau indicated that they would complete the approval procedures as soon as possible. As at the Latest Practicable Date, the Group had not yet received the final approval on the planning design scheme.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (a) The consideration payable under the State-owned Land Use Rights Grant Contract has been settled in full.
 - (b) The State-owned Land Use Rights Grant Contract is legal and valid, and Shenyang Yifu's rights under such contract are lawfully protected.
 - (c) On the basis and condition on the State-owned Land Use Rights Contract, the approval on granting of State-owned Land Use Rights to Shenyang Yifu Property Development Co., Ltd. and the relevant tax is settled in full, there should not be any legal impediments for the Group to obtain the relevant Land Use Rights Certificate of the property.
 - (d) Based on Clause 38 of the State-owned Land Use Rights Grant Contract, Shenyang Yifu has the right to request the Shenyang Planning and State-owned Land and Resources Bureau (the "Seller") to transact the land with inclusion of the 30-metre height limit. In any case the Seller changes any condition attached to the land without Shenyang Yifu's prior consent and causes a delay in the execution of State-owned Land Use Rights Grant Contract, Shenyang Yifu has the right to request the Seller to compensate all fees or losses directly incurred.

- (e) Pursuant to the Stated-owned Land Use Rights Contract, the construction of the development should be commenced by 27 December 2012. If the Group is unable to commence the construction by 27 December 2012, it shall apply for an extension 30 days before such date and if the extension is granted, it will be valid for no more than one year. There exists a risk that the Group is liable for a fine of 0.05% of the consideration per each day of delay. As advised by the Group, the delay in construction commencement is due to the clarification process with the relevant authorities in connection with the possible change of height limit. The Group has applied for the extension and such application has been approved by Shenyang Planning & Land Bureau on 26 June 2013 with the extended deadline to commence construction not exceeding one year over the deadline originally stipulated (i.e. the extended commencement date for construction shall not be beyond 27 December 2013).
- (f) There exists a risk that the Group is liable for idle land fee equal to 20% of the land premium if the construction fails to commence for more than one year but less than two years after the relevant construction land has been identified as idle land. The PRC government has the authority to confiscate land which the Group may hold from time to time without compensation to it if the Group does not commence construction within two years after the date specified in the land grant contract, unless the delay is caused by force majeure, governmental action or preliminary work necessary for the commencement of construction.
4. In our valuation, we have ascribed no commercial value to the property. Had the Group obtained State-owned Land Use Rights Certificate(s) or equivalent of the property, the capital values of the property in existing state as at 30 June 2013 for Plan A and Plan B are as below:

Plan	Capital value in existing state as at 30 June 2013 (HK\$)	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2013 (HK\$)
Plan A	750,200,000 <i>(equivalent to RMB594,000,000)</i>	100%	750,200,000 <i>(equivalent to RMB594,000,000)</i>
Plan B	585,900,000 <i>(equivalent to RMB463,900,000)</i>	100%	585,900,000 <i>(equivalent to RMB463,900,000)</i>

5. Our valuation is based on the assumption that the property will be constructed according to the development schemes provided by the Group. Plan A dictates that the building is subjected to a 30-metre height limit with site coverage of 58.6% and total planned gross floor area of approximately 188,252 sq.m. and Plan B dictates that the building is subjected to a 15-metre height limit with site coverage of 62.4% and total planned gross floor area of approximately 153,904 sq.m. for retail, office and car parking uses. Should there be any changes on the zoning, related planning criteria or proposed development scheme which is subjected to the final approval of the relevant authorities, the valuation of the property needs to be revisited.

VALUATION CERTIFICATE

Group IV — Property interests rented by the Group

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2013 (HK\$)
5. A portion of 20th Floor, East Point Centre, No. 555 Hennessy Road, Causeway Bay, Hong Kong	<p>As advised by the Group, the property comprises a portion of 20th floor within a 23-storey commercial building completed in 1993.</p> <p>The leased area of the property is approximately 46.45 sq.m. (approximately 500 sq.ft.).</p> <p>The property is leased by Grand Kinetic Limited to City Vision Limited (a wholly-owned subsidiary of the Company) for a term of 3 years from 11 September 2013 to 10 September 2016 at a monthly rental of HK\$30,000, inclusive of rates, government rent, management fees, air conditioning, electricity charges and other utilities charges.</p>	The property is occupied by the Group as office.	No commercial value

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2013 (HK\$)
6. Three leased properties in the PRC	As advised by the Group, the property comprise three premises in the PRC with a total leased area of approximately 307.31 sq.m..	The properties are occupied by the Group as staff quarters and office.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Group, some particulars of the agreements are summarised as below:

No.	Property Address	Landlord	Tenant	Leased area (approximately sq.m.)	Lease term from	Lease term to	Monthly rental (RMB)	Use
1.	Units 1005-1007, Linyuan Binyuan, No. 118 Tiandi Street, Daoli District, Harbin City	Heilongjiang Linyuan Binyuan	Harbin Lifu	88	1 March 2013	31 August 2013	11,500	Office
2.	Unit 90063, Towercrest Plaza, No. 170-1 Xishuncheng Street, Shenhe District, Shenyang City	Towercrest (Shenyang) Property Development Co., Ltd.	Shenyang Yifu	99.31	20 April 2013	19 October 2013	5,478.93	Office
3.	Room 910, 9th Floor, Shanghai Joinbuy CityPlaza, No. 1618 Nanjing Xi Road, Jingan District, Shanghai	Shanghai Ongoing Department Store Limited (as tenant)	Lichen Enterprise Management Consulting (Shanghai) Co., Limited ("Lichen Company", as sub- tenant)	120	From the date when business license of Lichen Company has been obtained	31 August 2015	25,200	Office
Total:				<u>307.31</u>			<u>42,178.93</u>	

2. We were advised by the Group the owners of the properties are independent third parties from the Group.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (a) For property numbered 2 and 3, the landlords have obtained legal titles to the properties. The Group has the rights to occupy and use the properties during the term of the tenancy agreements.
- (b) For property numbered 1, no title document has been provided to confirm landlord's legal title to the property. The Group's PRC legal adviser is unable to ascertain the legality of the title or the rights of the Group to occupy and use the property. There exists a risk that the Group will be requested to move out from the property if the lessor is not authorised by the landlord. The Group confirmed that there is no significant disruption or loss of profit is anticipated to the Group's operations if the tenancy agreement has been terminated.

- (c) For property numbered 2, the tenancy agreement has been registered at the property leasing administration authority while the remaining two tenancy agreements have not been registered. There exists a risk that the Group will be requested to register the tenancy agreements and liable for a fine of not more than RMB5,000 to RMB50,000 for property numbered 1 if the registration has been rectified. For property numbered 3, no tenancy agreement may act against a third party unless registered. The Group's PRC legal adviser opined the unregistered tenancy agreements are still binding. The Group confirmed that there is no significant disruption or loss of profit is anticipated to the Group's operations if the highest fine has been charged.

- (d) For property numbered 2, the property is subject to mortgage as at the contract date. There exists a risk that the Group will be requested to move out from the property if the mortgagor has transferred the property. The Group confirmed that there is no significant disruption or loss of profit is anticipated to the Group's operations if the tenancy agreement has been terminated.

I. OVERVIEW OF GENERAL LAWS AND REGULATIONS GOVERNING THE PROPERTY SECTOR IN THE PRC

The Land System of the PRC

All land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with law if required for the benefit of the public.

Although all land in the PRC is owned by the state or by collectives, private individuals and businesses and other organisations are permitted to hold, lease and develop land for which they are granted land use rights.

(a) National Legislation

In April 1988, the constitution of the PRC was amended by the National People's Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law of the PRC (中華人民共和國土地管理法) was amended to permit the transfer of land use rights for value.

Under the Interim Regulations on Grant and Transfer of the Right to Use State-owned Urban Land (城鎮國有土地使用權出讓和轉讓暫行條例) (“**Interim Regulations on Grant and Transfer**”) promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the Interim Regulations on Grant and Transfer, there are different maximum periods of grant for different uses of land. They are generally as follows:

Use of Land	Maximum Period in Years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Interim Regulations on Grant and Transfer, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant unless public interest requires repossession by the state under special circumstances, in which case compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

In accordance with the Urban Real Estate Management Law of the PRC (中華人民共和國城市房地產管理法) implemented on 1 January 1995 and amended on 30 August 2007 (the “**Urban Real Estate Law**”), land for commercial use, tourism, entertainment and commodity housing development must be granted by means of competitive bidding, public auction or listing-for-sale.

Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Property Rights Law (中華人民共和國物權法), which was effective as of 1 October 2007, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if public interest requires the resumption of possession of land by the State during the term of the relevant land use rights, owners of residential properties and other real estate on the land shall be compensated and the relevant land premium shall be refunded to them.

On 26 March 2005, the General Office of the State Council promulgated the Notice on Effectively Stabilising House Prices (關於切實穩定住房價格的通知) to restrain the excessive increase of housing prices and to promote the sound development of the real estate market. The notice provided that housing prices should be stabilised and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the Ministry of Construction (建設部) issued the Opinion on the Work of Stabilising Housing Prices (關於做好穩定住房價格工作的意見) on 30 April 2005. The Opinion stated, among other things, that: (i) the local government should focus on ensuring the supply of low- to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) to curb any speculation in the real estate market, a 5% business tax would be levied from 1 June 2005 on the total revenue arising from any transfer by individuals of houses within two years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years from their initial purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold where such units have not obtained the relevant property ownership certificates.

Pursuant to these measures, local governments were required to adopt plans, by September 2006, to focus on developing low-to-mid-priced and small-to-medium-size properties to meet demand from owner-occupiers. These measures stipulate that commencing from 1 June 2006, the minimum down payment was 30% of the total purchase price for residential units with floor area exceeding 90 square metres on all existing units and those yet to be completed, or a down payment of 20% on residential units for occupation by the owner with floor areas under 90 square metres. The measures require that at least 70% of the residential units in residential

housing projects approved or commenced after 1 June 2006 must be no larger than 90 square metres. The measures continue to prohibit land provision for houses and restrict land provision for development of low density and large residential property.

On 24 May 2006, the General Office of the State Council further issued the Notice on Adjusting the Housing Structure and Stabilising Housing Prices (國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知). The Notice provided for the following broad directives to, among other things: (i) encourage mass-market residential developments and curb the development of high-end residential properties; (ii) enforce the collection of the 5% business tax on property sales (business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties); (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 square metres, the owners are still able to apply for a housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villa projects and restrict land supply for high-end, low-density residential projects; (v) moderate the progress and scale of demolition of old properties for re-development; (vi) require local governments to ensure that at least 70% of the total development and construction area must consist of units of less than 90 square metres in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) prevent banks from providing loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project.

On 13 June 2006, the General Office of the State Council issued the Notice on Further Regulating and Controlling Investment in Fixed Assets and Strictly Controlling the Number of New Projects (關於加強固定資產投資調控從嚴控制新開工項目意見的通知). The notice provides for: (i) clearing and rectifying all new projects; (ii) strictly examining all planning projects, strengthening supervision and examination on implementing industry policy, development plan, market access requirements and construction procedures across the country; and (iii) strictly controlling loans provided for infrastructure.

On 6 July 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見), or the New Opinions. The New Opinions stipulate that, the residential units with a floor area of less than 90 square metres shall account for over 70% of the total area of residential units, which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government will have authority to determine the configuration of newly constructed property.

On 13 July 2006, the General Office of the State Council issued the Notice about Relevant Matters on Establishing the State Land Supervision System (國務院辦公廳關於建立國家土地督察制度有關問題的通知). In accordance with this notice, the Ministry of Land and Resources established the State Land Supervision General Office (國家土地總督察辦公室) and its local counterparts State Land Supervision Bureau (國家土地督察局) in order to strengthen supervision and management on land and practice the strictest possible land management system.

On 31 August 2006, the State Council issued a Notice about Relevant Matters on Strengthening Control on Land (國務院關於加強土地調控有關問題的通知) in order to hold back the problems of excessive increases in the aggregate amount of construction land, the excessive expansion of low-cost industrial land, the illegal use of land and abusive occupation of cultivated land. The notice implements the following major measures: (i) adjusting land approval measures for urban construction in accordance with the principle of sharing both rights and responsibilities; (ii) only after guaranteeing the social security fee for the land expropriated from farmers can the approval of land expropriation be granted; (iii) the total amount of money from the sale of state-owned land use rights shall be fully accounted for in the local budget and collected into the local government treasury, and the “line of income and expenditure” shall be administrated separately; (iv) raising the standard for the land use rights fee of newly added construction land as well as the urban land use tax and rural cultivated land use tax; (v) the State formulating and promulgating the unified minimum standard for granting industrial land across the country, and industrial land being granted by tender, auction or putting up for bidding; and (vi) prohibiting conversion of agricultural land into construction land “in the name of leasing while actually expropriating” or other illegal ways.

On 7 November 2006, the Ministry of Finance, the Ministry of Land and Resources and the PBOC issued a Notice about Relevant Matters on Policy Adjusting Concerning the Land Use Fee for Newly Created Construction Land (財政部、國土資源部、中國人民銀行關於調整新增建設用地土地有償使用費政策等問題的通知). The notice requires the land use fee on newly created construction land be doubled from 1 January 2007.

On 19 January 2007, the Ministry of Finance and State Taxation Administration issued a Notice about Implementing the Decision of the State Council on Amending the Interim Regulations of the People’s Republic of China on Urban and Town Land Use Tax (財政部、國家稅務總局關於貫徹落實國務院關於修改《中華人民共和國城鎮土地使用稅暫行條例》的決定的通知). The notice increases the annual land use tax and imposes such land use tax on foreign-invested enterprises.

On 29 March 2007, the Ministry of Construction, the Ministry of Land and Resources, the Ministry of Finance, National Audit Office, the Ministry of Supervision, the State Administration of Taxation, the NDRC and the SAIC issued the Notice on the Regulation of the Real Estate Market Order (關於開展房地產市場秩序專項整治的通知). This notice aims to examine the unauthorised approval and abuse of power in the areas of project establishment, planning approval, work permit administration, pre-sale permit administration by the relevant departments and working personnel involved in real estate-related fields as well as the implementation of tax policies with respect to real estate. It will also allow for the inspection of real estate development enterprises to see if they illegally publish advertisements, hoard properties, drive up prices, swindle or conspire with other parties, evade taxes or properly conduct compulsory demolitions and resettlements. Further review and examination will take place with respect to real estate development enterprises that are found to have violated these rules.

Pursuant to the Opinions on Resolving Difficulties of Housing for Urban Low-income Family (國務院關於解決城市低收入家庭住房困難的若干意見) promulgated by the State Council on 7 August 2007, the authorities of each region will adjust the housing supply structure in order to:

(i) implement the Circular on Forwarding Opinions of Ministry of Construction and Other Departments on Adjusting Housing Supply Structure and Stabilising Housing Prices issued by the General Office of the State Council (國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知); (ii) focus on the development of low to medium priced, and small to medium sized commodity housing and (iii) to increase the supply of housing. The approval percentage of new housing construction (with a GFA of less than 90 square metres) will be more than 70% of the total housing developed area. The annual supply of low rental housing construction land, economy-sized housing and low to medium price and small to medium sized commodity housings shall not be less than 70% of the total residential housing land.

Pursuant to the Notice on Implementation of the Several Opinions of the State Council on Solving Housing Shortage with respect to Urban Low-income Households (國土資源部關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) promulgated by the Ministry of Land and Resources on 30 September 2007, the administration department of the Ministry of Land and Resources (the “**Administration Department**”) at both municipality and county levels will give priority in arranging land supply for low rental housing, economy-sized housing and low to medium priced and small to medium sized commodity housing. Its annual supply volume shall not be less than 70% of total residential land supply. It will integrate and implement the Notice on the Implementation of Specific Clearing of the Grant of the State-owned Land Use Rights (監察部、國土資源部、財政部、建設部、審計署關於開展國有土地使用權出讓情況專項清理工作的通知) jointly published by the Ministry of Supervision, the Ministry of Land and Resources, the Ministry of Finance, National Audit Office of the PRC and the Ministry of Construction on 8 August 2007. Further, it will investigate, on a case by case basis, the development of residential land with an emphasis on the observation of land-use contract by real estate development enterprises. For any developer that neither commences nor completes the construction work in accordance with the land-use contract, the Administration Department will provide comments to ensure that such enterprises complete the development on schedule. Enterprises that do not carry out any measure to resolve the situation will be prohibited from participating in any tenders, auction and putting up for bidding for acquiring new land sites. The Administration Department will strictly enforce the regulations governing idle land and for land where the construction still has not commenced after exceeding one full year from the date of commencement stipulated in the contract, the idle land fee shall be imposed and the respective enterprises will be instructed to commence the construction works and fulfill the completion schedule.

On 30 December 2007, the General Office of the State Council issued the Notice on the Strict Implementation of the Laws and Policies Regarding Rural Collective Construction Land (國務院辦公廳關於嚴格執行有關農村集體建設用地法律和政策的通告). This notice states that residential land in rural areas shall only be allocated to residents of the relevant village residing in the area and that no urban inhabitants shall be allowed to purchase any homesteads, peasants’ dwellings or “small houses with property rights” in rural areas. No organisation or individual shall be allowed to illegally rent or occupy any land collectively owned by peasants for the development of real estate.

On 7 February 2008, the State Council issued the Land Investigation Regulations (土地調查條例). This regulation provides that a nationwide land investigation shall be carried out once every 10 years and a land status alteration investigation shall be carried out each year by the competent state land and resources department at the county level or above and this investigation is done in conjunction with the relevant government departments of the same level. The regulation also specifies the qualification requirements that a government department must meet in order to undertake the investigation tasks. The regulation specifies that the purpose of land investigations is to ascertain the land resources that are available and their utilisation status.

On 7 January 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (國務院辦公廳關於促進房地產市場平穩健康發展的通知), which, among other things, provides that land resource authorities shall deepen the supervision on the compliance of the contracts and strictly collect the land premiums according to the land grant contracts, and shall:

- effectively increase the supply of social welfare housing and ordinary commodity residential properties, in particular, low and medium-cost and small and medium-sized ordinary commodity residential properties;
- direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market;
- strengthen credit risk management for real estate projects and market supervision;
- speed up the construction of social welfare housing projects; and
- set or clarify the responsibilities of provincial and local governments.

On 8 March 2010, the Ministry of Land and Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property (國土資源部關於加強房地產用地供應和監管有關問題的通知). The Notice, among other things, provides that:

- the land and resources bureau at the city and county levels shall ensure that the land supply for government-subsidised housing, slum-dwellers reconstruction and small commercial housing units for self-housing shall not be less than 70% of the total residential land supply and strictly control the land supply for large-sized apartments and restrict the land supply for villas;
- land resource authorities shall prohibit property developers who owe land grant premium payments, possess idle land, engage in land speculation and price manipulation, conduct project development exceeding approved scope or fail to conform with the land use rights grant contract from land bidding transactions within a set period of time; and

- the land use rights grant contract must be executed within ten days after a grant of land has been mutually agreed and a down payment of 50% of the land grant premium shall be paid within one month from the execution of the land use rights grant contract with the remaining amount paid no later than one year after the execution of the land use rights grant contract.

On 21 September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as obtaining land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (國土資源部關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which, among other things, provides that (i) cities and counties that have less than 70% of their land supply designated for affordable housing, redevelopment housing for shanty towns or small/medium-sized residential units shall not provide land for large-sized and high-end housing before the end of 2010; (ii) local land and resources authorities shall file a transaction report with the Ministry of Land and Resources and provincial land and resources authorities, respectively, in relation to land sold via competitive bidding, auction and listing-for sale with a 50% or more premium; and (iii) for land designated for affordable housing but used for the development of commodity houses, any illegal income derived therefrom will be confiscated and the relevant land use rights terminated. In addition, unapproved changes to the plot ratio are strictly prohibited.

On 26 January 2011, the General Office of the State Council issued the Notice on Relevant Issues of Further Improvement of the Control in 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). This Notice, among other things, provides that:

- individuals selling housing properties within five years of purchase will be charged business taxes on the full amount of sale price, whether ordinary or non-ordinary;
- the minimum down payment for second home purchases increases from 50% to 60%;
- the developer will forfeit the land use rights and the PRC government will impose an idle land fee of up to 20% of the land premium if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract; and
- municipalities directly under the central government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of homes local residents can buy in a specific period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly built houses and second-hand houses). Sales of properties to (i) local resident families who own two houses or more, (ii) non-local resident families who own one house or more, and (iii) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period shall be suspended in local administrative regions.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation may provide for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are deemed to be inconsistent with national legislation. Under PRC laws, national laws and regulations prevail to the extent of such inconsistencies.

Pursuant to the policy measures determined in the State Council executive meeting on 20 February 2013 for strengthening the regulating on real estate market, the PRC government plans to take measures to deter real estate purchase of speculative nature, to increase supply of ordinary commodity housing and land, to speed up the planning and construction of affordable housing projects, as well as to strengthen the real estate market supervision. Pursuant to the Notice on the Continual Improvement of the Control in Real Estate Market promulgated by the General Office of the State Council on 26 February 2013 (國務院辦公廳關於繼續做好房地產市場調控工作的通知), the measures to be taken include continuation of the strict implementation of measures on the restriction of purchase of commodity houses, continuation of strict implementation of different housing credit policies, continuation of supply of small to ordinary medium-sized properties and land, enhancement of the information system relating to home ownership and to impose individual income tax at the rate of 20% on the proceeds from sale of residential properties.

(b) *Grant of Land Use Rights*

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the state to us to entitle us to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

According to the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007 (which superseded the Regulations on the Grant of State-owned Land Use Rights Through Competitive Bidding, Public Auction and Listing-for-Sale (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the Ministry of Land and Resources on 9 May 2002 and implemented on 1 July 2002), land for industrial use, commercial use, tourism, entertainment, commodity housing development and land which attracts two or more applicants must be granted by means of competitive bidding, public auction or listing-for-sale.

On 11 May 2011, the Ministry of Land and Resources promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing (國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides, among other things, that (i) correct utilization of the regulating and controlling effects of the land transfer policy through tender, auction and listing; (ii) improvement in the transparency of the system of tender, auction and listing for housing land; (iii) adjustment and improvement in the land transfer policy through tender, auction and listing, including (a) limitation on house price or land price, and transfer of policy-related housing land by listing or auction; (b) limitation on the GFA of allocated security housing, and transfer of commodity housing land by listing or auction; (c) carrying out of comprehensive assessment on conditions of land development and utilization and land transfer prices, and determination of the person who is entitled to land use rights by tender; (iv) promotion of online operation of the transfer of land use rights; and (v) improvement in the contracts for land transfer through tender, auction and listing.

Under the Regulations on the Grant of State-owned Land Use Rights Through Competitive Bidding, Public Auction and Listing-for-Sale, competitive bidding of land use rights is where the relevant land administration authority (the “grantor”) issues a bidding announcement, inviting individuals, legal persons or other organisations (whether specified or otherwise) to participate in tender for the land use rights of a particular parcel of land, with the land user to be determined according to the results of the biddings. Auction for land use rights is where the grantor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. Listing-for-sale is where the grantor issues a listing-for-sale

announcement, and in accordance with the announcement, the land grant conditions will be listed in a specified land grant exchange within a specified period, bidders' payment applications will be listed and the land user will be granted according to the bidder's payment applications at the end of such listing period. The procedures are as follows:

- (i) the land authority under the government of the city and county issues an announcement at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement includes without limitation basic particulars of the land parcel, qualification requirements of the bidder and auction applicants, the methods and criterion used to confirm the winning tender or winning bidder and the deposit of the bid;
- (ii) the grantor conducts a qualification verification of the bidding applicants and auction applicants and instructs the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale;
- (iii) after determining the winning tender or the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or winning bidder then enter into a confirmation. The grantor refunds the other applicants their deposits;
- (iv) the grantor and the winning tender or winning bidder then enter into a land use right grant contract at the time and venue set in the confirmation. The deposit of the bid paid by the winning tender or winning bidder is deemed as part of the assignment price of the state-owned land use rights; and
- (v) the winning tender or winning bidder applies for the land registration after paying the assignment price. The people's government of the municipality and county level or above then issues the "Land Use Rights Certificate".

The Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale further emphasised that the winning tender or winning bidder must apply for the land registration after paying the entire premium, in accordance with the State-owned Construction Land Use Rights Assignment, before obtaining the State-owned Construction Land Use Rights Certificate. If the winning tender or winning bidder does not pay the entire assignment price, it will not be granted the state-owned construction land-use right certificates. Proportional division and grant of the state-owned construction land-use right certificates corresponding to the amount of the assignment price paid is not allowed.

In June 2003, the Ministry of Land and Resources of the PRC promulgated the Regulation on Transfer of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights used for business purposes including commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan concerning issues including the specific location,

boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the state, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the person who is interested will negotiate and enter into the grant contract based on the above-mentioned plan. If two or more entities are interested in the land use rights to be granted, such land use rights shall be granted by means of tender, auction or listing-for-sale.

Upon signing the land grant contract, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a grant premium shall be paid.

In order to control and facilitate the procedure for obtaining land use rights, several local governments have stipulated standard provisions in land grant contracts. Such provisions generally include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total GFA and height limitations, constructions of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premiums and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the appreciation of the new use. Registration procedures must then be carried out immediately.

According to the “Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) enacted by the Ministry of Land and Resources on 4 September 2003 (the “**Notice**”), from the day of promulgation, land use for luxurious commodity houses shall be stringently controlled, and applications for land use rights to build villas shall be stopped.

On 23 May 2012, the Ministry of Land and Resources and NDRC promulgated the Catalogue of Restrictive Land Supply Items (2012 Version) and Catalogue of Forbidden Land Supply Items (2012 Version) (關於發佈實施《限制用地項目目錄(2012本)》和《禁止用地項目目錄(2012本)》的通知). This catalogue provides that, the new office buildings of the Chinese Communist Party and government agencies, large-scale commercial or entertainment establishments, racing fields, motor vehicle training fields, burial grounds, large-sized housing projects (referring to residential projects where the gross floor area for a single house exceeds 144 square metres) are listed in the restrictive land supply items, and villas, golf courses, racing courses, and new training centres of the Party and government agencies, State-owned enterprises and institutional agencies are classified as forbidden land supply items.

The Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法) was implemented on 1 January 2008. This law provides, among other things, that if land use rights were obtained by way of allocation, the developer shall apply to the relevant urban and rural planning authorities for a site selection opinion before applying to other relevant authorities for approval or consent. This law also specifies that if the land use rights were obtained by way of allocation within the planning zones of cities or towns, the developer shall, before applying to the land administration authorities at or above the county level for land use rights, apply for the construction land planning permit from the relevant urban and rural planning authorities of that city or town after obtaining the approval or consent of other relevant authorities. Further, if land use rights were obtained by way of grant within the planning zones of cities or towns, relevant urban and rural planning authorities shall, prior to the granting of land use rights, specify the planning conditions such as the location, nature of use and permitted density of the development and integrate the planning conditions into the grant contract of the land use rights. Land without planning conditions cannot be granted. After a grant contract of land use rights is executed, the developer needs to apply to urban and rural planning authorities of the city or county for the construction land planning permit along with the required documents. If a development is within the planning zones of a city or town, the developer needs to apply to urban and rural planning authorities of the particular city or county, or to the township government specified by the provincial level government for a planning permit for construction in a rural area. The development of projects must comply with the planning conditions and an application must be filed with the urban and rural planning authorities of the relevant city or county if any amendments to the planning conditions are necessary. Within six months of the completion of projects, a developer needs to file documents in respect of the inspection and assessment by government authorities of completed project with the urban and rural planning authorities.

To standardise land grant contracts, in 2000, the Ministry of Land and Resources and the SAIC published the model land grant contract, on the basis of which many local governments have formulated their respective local form land grant contract to suit their specific local circumstances. The model land grant contract contains terms such as location of land, use of land, land premium and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including GFA, plot ratio and height and density limitations), construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land premium and completion of prescribed development, application of renewal, force majeure, breach of contract and dispute resolution.

If a land user wishes to change the specified use of land after entering into a land grant contract, approvals must be obtained from the relevant land bureau and the relevant urban planning department, and a new land grant contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures shall be carried out immediately after approval of the change of designated use. If a land user fails to develop and invest in the land within the period of time specified in the land grant contract, the land bureau has the right to impose various penalties ranging from fines to

withdrawal of the grant without consideration (unless the failure to develop and invest in the land is due to a force majeure event or the activities of a government authority). According to the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法), after execution of the land grant contract, the urban planning department cannot change the planning requirements under the land grant contract without authorisation.

On 18 November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the Ministry of Supervision and the National Audit Office jointly promulgated the Notice on Strengthening the Administration of Land Assignment Revenues and Expenditures (關於進一步加強土地出讓收支管理的通知). The notice provides, among other things, that (i) land assignment revenues and expenditures shall be strictly included under local fund budget administration in full; (ii) reinforce collection administration to ensure that land assignment revenues are collected in full and paid to local treasuries in a timely manner; the first payment shall not be less than 50% of the total land assignment price; land prices (rentals) as agreed in land rental contracts shall be paid in a lump sum as and when they are due and shall not be paid by installments; (iii) improve budget preparation and arrange land assignment expenditures strictly in accordance with the stipulations; (iv) reinforce statistical operation to enhance the quality and standard of preparing and reporting land assignment revenue and expenditure statistics; (v) strengthen supervision and inspection and strictly implement the accountability system for land assignment revenue and expenditure administration.

(c) Transfer of Land Use Rights

After land use rights relating to a particular area of land have been granted by the state, unless any restriction is imposed, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the state. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 38 of the Urban Real Estate Law, real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. Under Article 39 of the Urban Real Estate Law, if land use rights are acquired by

means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) for housing construction projects, more than 25% of the total amount of development for investment must have been made or completed; and (iv) where the development or investment involves a large tract of land, conditions for use of the land for industrial or other construction purpose have been achieved.

The PRC Land Administration Law (中華人民共和國土地管理法) regulated that land use rights owned by peasants' collectives may not be granted, assigned or leased for non-agricultural construction, except for the transfer according to law of the land use rights by enterprises due to circumstances such as bankruptcy, merger, etc., provided that the construction land is in compliance with the master land use plan and was lawfully obtained. On 21 October 2004, the Decision on Deepening the Reform of Strict Land Management (國務院關於深化改革嚴格土地管理的決定) issued by the State Council provides that the collective construction land use rights owned by peasants can be transferred according to the law. On 30 December 2007, the Notice regarding Strictly Implement the Law and Regulations of the Collective Construction Land in the Rural Place (國務院辦公廳關於嚴格執行有關農村集體建設用地法律和政策的通知) issued by the General Office of the State Council provides that the transfer of the collective construction land use rights owned by peasants should be strictly controlled. The rural collectively owned construction land is prohibited to be granted, transferred and leased for the use of commercial property development and residential construction.

(d) Termination of Land Use Rights

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right. The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Upon expiry, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the state without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewal grant.

(e) Document of Land Title

In the PRC, there are two registers for real estate. Land registration is achieved by the issue of a land use right certificate by the relevant authorities to the land user. It is evidence that the land user has obtained land use rights which can be transferred, mortgaged or leased. The

building registration is the issue of a real estate certificate to the owner. It is evidence that the owner has obtained building ownership rights in respect of the buildings erected on that piece of land. According to the Measures for Land Registration (土地登記辦法) promulgated by the Ministry of Land and Resources on 30 December 2007 and implemented on 1 February 2008, and the Measures for Building Registration (房屋登記辦法) promulgated by the Ministry of Construction on 15 February 2008 and implemented on 1 July 2008, all duly registered land use rights and building ownership rights are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, such as Shenyang, Tianjin, Qingdao and Harbin, the above systems are maintained separately. However, in certain cities such as Shanghai, the two systems have been consolidated and a single composite real estate and land use right certificate will be issued evidencing the ownership of both land use rights and the buildings erected on the land.

(f) Disposal of the Idle Land

According to the Measures on Disposing Idle Land (閒置土地處置辦法) enacted and enforced on 28 April 1999 and revised on 1 June 2012 by the Ministry of Land and Resources, land can be classified as idle land under any of the following circumstances: (i) where development and construction of the state-owned land for construction has not been commenced by the land user at the expiry of one year from the date of commencing the development and construction agreed or prescribed in the “Contract on Paid Use of the Right to Use State-Owned Land for Construction” (國有建設用地使用權有償使用合同) or the “Decision Letter on Allocation” (劃撥決定書); (ii) the development and construction of the state-owned land for construction has been commenced but the area so developed and construed is less than one-third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction have been suspended for one year.

The competent land and resources authority at municipality or county level (the “**Competent Land and Resources Authority**”) is responsible for the investigation, ascertainment, organisation and implementation of disposal of the idle land. The Competent Land and Resources Authority shall, after a piece of land has been suspected as idle land under the Measures on Disposing Idle Land, conduct the investigation work within 30 days and issue a Investigation Notice for the Idle Land (閒置土地調查通知書) to the land user. If the land has been ascertained as idle land after the investigation, the Competent Land and Resources Authority shall issue a Letter of Ascertainment for the Idle Land (閒置土地認定書) to the land user, and disclose relevant information of the idle land to public via web portals. Where the idleness is caused by the acts of government or acts of other relevant government departments, such reason of idleness shall be disclosed concurrently, and such government or related governmental authorities shall be notified in writing.

If the delay of commencing the development and construction is caused by the acts of government or other relevant government departments, after negotiating with the land user, the Competent Land and Resources Authority shall draft a proposal on the methods of disposal of

the idle land, including but not limited to extending the time period for development and construction (provided that the extension shall not be longer than one year), adjusting the use of the land and the planning conditions, arranging for temporary use (provided that the period of temporary use shall not be longer than two years), contracting on confiscating the land use right with compensation, replacing the land, and determining other methods of disposal as the case may be. The disposal proposal will be implemented after it has been approved by the government at the same level of the Competent Land and Resources Authority. If the delay of commencing the development and construction is not caused by the acts of government or other relevant government departments, the idle land shall be disposed in the following manner: (i) where the work has not been commenced for one year, the Competent Land and Resources Authority shall, upon approval of the government at the same level, issue a Decision Letter on Levy of Surcharge on the Idle Land (徵繳土地閒置費決定書) to the land user, and a surcharge on the idle land equivalent to a maximum of 20% of the grant or allocation premium may be levied; (ii) where the work has not been commenced for two years, the Competent Land and Resources Authority shall, pursuant to relevant regulations and upon approval of the government at the same level, issue a Decision Letter on Confiscation of Land Use Right of State-Owned Land for Construction (收回國有建設用地使用權決定書) to the land user, and the land can be confiscated without any compensation. A copy of the Decision Letter will also be sent to the mortgagee, if the land has been mortgaged. However, the land user is entitled to apply for a hearing before such decision is made.

Pursuant to the Measures on Disposing Idle Land, any granted land shall be “clean and clear” so that the land will not become idle as a result of demolition and removal. It is required that the land provided by the government of municipality or county level shall have clear land rights with all resettlement and compensation being settled; have not been involved in any legal and economic disputes, have clear planning conditions such as location, nature of use and plot ratio; and have the basic conditions for commencing the development.

On 3 January 2008, the State Council issued the Notice on Promoting the Saving and Improving Efficiency of Use of Land (關於促進節約集約用地的通知) which urges the full and effective use of existing construction land and the preservation of farming land. The notice also emphasises the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, the amount of which is equal to 20% of the land premium.

(g) Land Reserve and Primary Development

The Ministry of Finance, Land and Resources and the PBOC jointly promulgated the Measures for Land Reserve Administration (土地儲備管理辦法), which became effective as of 19 November 2007. Pursuant to the Measure, the land reserve institution refers to the independent legal entity which is affiliated to the local land administration bureau. The scope of the land reserve includes but is not limited to the land use rights resumed by the state, the land obtained subject to the pre-emptive right, the rural land which had been completed the reversion procedures and the land purchased by the land reserve institution. The land reserve institutions are permitted to carry out primary development of the reserved lands before supplying them to the market. Commercial banks could make mortgage loans to the land reserve institution after the land reserve institution has obtained approvals from the local financial department.

The Ministry of Finance and the Ministry of Land and Resources issued the Provisional Measures on Administration of Funds and Finance Affairs Relating to Land Reserve (土地儲備資金財務管理暫行辦法) on 27 February 2007, which regulate the matters concerning the capital required for, among other things, the early stage development of reserved land, including the source, scope of use and management of the such capital.

(h) Mortgage and Guarantee

The mortgage of real estate in the PRC is governed by the Property Rights Law of the PRC (中華人民共和國物權法), Security Law of the PRC (中華人民共和國擔保法), the Law of the PRC on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), or the Urban Real Estate Law, the Regulation on Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法), the Real Estate Mortgage Regulation, and other relevant real estate related 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 is 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 by the debtor, (iii) the repayment of the indebtedness, and (iv) the name, quantity, conditions, location, valuation and ownership of the mortgaged property. Pursuant to the Real Estate Law, buildings newly-erected on a piece of urban land after a mortgage contract has been entered into shall not be a mortgaged property. If the mortgaged property is auctioned off, the new buildings added on 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 carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the land use rights certificate or the property ownership certificate in respect of 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 or been 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 bears the liability 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 agreed otherwise, the guarantee shall remain valid for six months after the expiration of the term for performance of the principal obligation of the debtor.

II. OVERVIEW OF SPECIFIC LAWS AND REGULATIONS GOVERNING THE REAL ESTATE DEVELOPMENT ENTERPRISE IN THE PRC

(a) Establishment of a Real Estate Development Enterprise

According to the Urban Real Estate Law, a real estate development enterprise is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) (the “**Development Regulations**”) promulgated by the State Council on 20 July 1998, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements: (i) its registered capital must be RMB1 million or more and (ii) it must have four or more full-time professional real estate/construction technicians and two or more fulltime accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate development enterprise.

To establish a real estate development enterprise, the real estate development enterprise should apply for registration with the administration for industry and commerce on or above the county level. The real estate development enterprise must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its business licence.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (國務院關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on 26 April 2004, the proportion of capital fund of real estate development projects (excluding economically affordable housing projects) has been increased from 20% or above to 35% or above.

Pursuant to the Notice of the State Council on Adjusting the Proportions of Registered Capital in Fixed Assets Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知), which became effective on 25 May 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%.

(b) Foreign-invested Real Estate Development Enterprises

Under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) (the “**Foreign Investment Guidance**”) promulgated jointly by the MOFCOM and the NDRC in November 2004, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings, international conference centers and large theme parks falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted. On 31 October 2007, the MOFCOM and NDRC jointly issued the new Foreign Investment Guidance

effective from 1 December 2007, under which the development and construction of ordinary units falls within the category of industry in which foreign investment is permitted, whereas the secondary market transaction in real estate sector, real estate intermediary or agent falls within the category of industry in which foreign investment is subject to restrictions.

On 24 December 2011, the NDRC and MOFCOM jointly issued the new Foreign Investment Guidance effective from 30 January 2012, under which (1) the development of a whole land lot which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (2) the construction and operation of high-end hotels, premium office buildings and international conference centers; (3) the secondary market transaction in real estate sector, and real estate agents or intermediaries, shall all belong to the category of restricted industry for foreign investment. A foreign investor intending to engage in the development and sale of real estate may establish a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly-owned foreign enterprise (except for the development of a whole land lot) according to laws and regulations relating to foreign investment in the real estate industry. Prior to its registration with the department of administration of industry and commerce, the enterprise must be approved by commercial authorities and obtain an Approval Certificate for a Foreign Investment Enterprise.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (“**Circular 171**”), which state that: (i) an overseas entity or individual investing in real estate in the PRC other than for self-use, shall apply for the establishment of a Foreign Invested Real Estate Enterprise (“**FIREE**”) in accordance with applicable PRC laws and shall only conduct operations within the authorised business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for a FIREE with a total investment of less than US\$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can first obtain an approval certificate and business license which are valid for one year. The official approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commercial authorities. The investor shall submit a letter to the commercial authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence from the construction authorities confirming the alteration of archives and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors’ equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital in a lump sum rather than by instalments and shall ensure that the enterprise’s employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the

project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; and (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents.

On 23 May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which made the following requirements for approval and supervision of foreign investment in real estate:

- foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, either (i) both the land use right certificates and housing ownership right certificates must be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights must be entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons of domestic real estate enterprises;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- local approval authorities should file the approvals of establishment of foreign investment real estate entities with MOFCOM for their records in a timely manner according to applicable laws;
- foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those that fail to file with MOFCOM or fail to pass the annual reviews; and
- for those real estate entities with foreign investment which are illegally approved by local authorities for their establishment, (i) MOFCOM should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such entities.

On 18 June 2008, MOFCOM issued the Notice on Proper Handling of Archiving Documents for Foreign Investment in the Real Estate Industry (商務部關於做好外商投資房地產業備案工作的通知). According to the Notice, the competent departments of commerce at the provincial level are authorised to verify the materials for archiving as submitted by the foreign invested real estate enterprise, and MOFCOM together with other departments of the State Council shall conduct spot-checks over the above enterprises.

Pursuant to the Several Opinions of the State Council for Further Improving the Utilization of Foreign Investment (國務院關於進一步做好利用外資工作的若干意見) issued by the State Council on 6 April 2010 and the Circular of NDRC on Authorisation for the Review and Approval of Foreign-invested Projects (國家發展改革委關於做好外商投資項目下放核准權限工作的通知) issued by the NDRC on 4 May 2010, foreign-invested projects with a total investment not exceeding US\$300 million within the encouraged or permitted category, other than those requiring the approval of relevant authorities under the State Council according to the Foreign Investment Guidance, may be examined and approved by the competent authorities of NDRC at the provincial level. Pursuant to the Circular on Issues Concerning the Authorisation for the Review and Approval of Foreign Investment (關於下放外商投資審批權限有關問題的通知) promulgated by MOFCOM on 10 June 2010, the establishment and change of registration of foreign-invested enterprises with a total investment not exceeding US\$300 million within the encouraged or permitted category, and with a total investment of no more than US\$50 million within the restricted category may be examined and approved by the competent authorities of MOFCOM at the provincial level.

On 22 November 2010, the general office of MOFCOM promulgated the Notice on Strengthening the Administration of Examination and Approval for Foreign Investment in the Real Estate Industry to Further Regulate the Foreign Investment in the Real Estate Industry (商務部辦公廳關於加強外商投資房地產業審批備案管理的通知) (the “**November Notice**”). The November Notice states that, among other things, competent commerce authorities of all regions shall carry out examination and approval in strict accordance with the various provisions on the establishment of investment companies by foreign investors, and shall not examine and approve investment companies involved in real estate development and operation business. It further strengthens the examination and approval for real estate projects newly set up or with capital increase by way of merger and acquisition or equity contribution.

The Foreign Exchange Administrative Rules on the Foreign Investors’ Onshore Direct Investment (外國投資者境內直接投資外匯管理規定) issued by SAFE which takes effect on 13 May 2013 further simplifies and integrates the various procedures and policies involved in the foreign direct investment area such as foreign exchange registration, opening and use of account, fund receipts and payments and foreign exchange settlement. The change was made in order to further improve the transparency of the foreign exchange management policy, to promote investment facilitation and to improve the real economy capability of foreign exchange management service.

The Administrative Rules on Registration of Foreign Debt (外債登記管理辦法) issued by SAFE which takes effect on 13 May 2013 optimizes the administration of foreign debt registrations, simplifies the administration of foreign debt registrations and canceled the

approvals for opening and closing of a foreign debt account, settlement of foreign exchange funds and repayment of principal and payment of interest, and stipulates that foreign debt borrowed by a foreign invested enterprise can be used after settlement of foreign exchange following the principle of actual need.

(c) Administration of Qualifications of a Real Estate Development Enterprise

Under the Development Regulations, the real estate development authorities shall examine applications for registration of qualifications of a real estate development enterprise when it reports its establishment, by considering its assets, professional personnel and business results. A real estate development enterprise shall only undertake real estate development projects in compliance with the approved qualification registration.

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) (the “**Provisions on Administration of Qualifications**”) promulgated by the Ministry of Construction on 29 March 2000, a real estate development enterprise shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate development enterprises throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate development enterprises.

In accordance with the Provisions on Administration of Qualifications, real estate development enterprises are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of real estate development enterprises of class 2 or lower qualifications shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government. A real estate development enterprise that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

After a newly established real estate development enterprise reports its establishment to the real estate development authority, the latter shall issue a Provisional Qualification Certificate to the eligible real estate development enterprise within 30 days of its receipt of the above report. The valid period of the Provisional Qualification Certificate is one year, and the real estate development authority can extend the period according to the real estate development enterprise’s specific operating circumstances. But the period of extension may not exceed two years. The real estate development enterprise may apply for assessment of qualification classification by the real estate development authority within one month before expiry of the Provisional Qualification Certificate.

A real estate development enterprise of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate development enterprise is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 square metres and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate development enterprise should be annually reviewed. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual review of class 1 real estate development enterprise's qualification. Procedures for annual review of real estate development enterprise of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

On 26 January 2011, the State Council issued the Notice on Further Improvement of the Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which the qualification certificates and the sources of capital of real estate enterprises will be censored. If a real estate development enterprise fails to obtain a construction permit two years after the land is provided, the land will be confiscated and fines will be imposed accordingly.

(d) Development of a Real Estate Project

(i) Approval on the Real Estate Development Project

The Development Regulations provide that a real estate development project may be carried out having regard to the overall land use plan, annual construction land schedule, applicable municipal zoning plan and the annual property development scheme. Those projects which should be approved by the planning control authorities in accordance with the relevant rules should also be reported and approved by the planning control authorities and be brought into the annual planning of the investment in fixed assets. Under the State Council's Notice on Stringent Control Over High Class Real Estate Development Projects (關於嚴格控制高檔房地產開發項目的通知) issued in May 1995, for a high class real estate project with a GFA of more than 100,000 square metres or total investment of more than RMB200 million or foreign investment of US\$30 million or more, the project proposal and commencement of works shall be subject to approval of the State Development Planning Commission.

For a high class real estate project with a GFA of more than 20,000 square metres but less than 100,000 square metres or total investment of more than RMB30 million but less than RMB200 million, the project proposal and commencement of works shall be subject to approval of the Development Planning Commission of the relevant province, autonomous region, municipality directly under the central government or separate-planning city and

then a report to the State Development Planning Commission. A high class real estate project with foreign investment of more than US\$100 million is subject to approval of the State Council based on the recommendation of the State Development Planning Commission.

As mentioned above, under the Foreign Investment Guidance jointly promulgated by the MOFCOM and the NDRC on 24 December 2011, effective from 30 January 2012, under which (1) the development of a whole land lot which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (2) the construction and operation of high-end hotels, premium office buildings and international conference centers; (3) the secondary market transaction in real estate sector, and real estate agents or intermediaries, shall all belong to the category of restricted industry for foreign investment.

(ii) 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. 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.

The Development Regulations also provide that a real estate development enterprise shall record any major events which occur in the course of construction in the Real Estate Development Project Manual and periodically submit the same to the real estate development authority for its records.

Pursuant to the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (國土資源部關於加強房地產用地供應和監管有關問題的通知) issued by the PRC Ministry of Land and Resources on 8 March 2010, a real estate development enterprise shall file written reports with the department of land and resources upon the commencement and completion of a project. If the real estate development enterprise fails to commence or complete the construction within the period prescribed in the land grant contract, it shall report the reason for delay to the department of land and resources within 15 days before the end of the period. Any real estate development enterprise which fails to file reports shall be prohibited from acquiring land in the PRC for at least one year.

(iii) Planning 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 the Ministry of Construction in December 1992, the assignee to a grant contract, i.e. a real estate development enterprise, shall legally apply for a Planning Permit for the Construction Land (建設用地規劃許可證) from the municipal planning authority with the grant contract.

After obtaining a Planning Permit for Land Use, a real estate development enterprise shall organise the necessary survey, planning and design work having regard to planning and design requirements. For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Law of the PRC on Urban and Rural Planning (中華人民共和國城鄉規劃法) and local statutes on municipal planning must be followed and a Planning Permit for Construction Works (建設工程規劃許可證) must be obtained from the municipal planning authority.

(iv) Demolition and Removal of the Old Housing

In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing (城市房屋拆遷管理條例) (the “**Regulations on Demolition**”), which were promulgated by the State Council on 13 June 2001, upon obtaining approvals for a construction project, construction plan and State-owned land use rights, a real estate development enterprise may apply to the department in charge of demolition and removal of the municipal or county people’s government of the place where the real estate is located for a permit for housing demolition and removal. Upon granting an approval and issuing a demolition and removal permit, the department in charge of demolition and removal shall issue a demolition and removal notice to the inhabitants of the area to be demolished. The demolition and removal party shall implement the demolition and removal within the area and period specified in the housing demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it shall, at least 15 days prior to the expiry of the permit, apply to the original approval department in charge of demolition and removal for an extension.

During the demolition and removal period announced by the department in charge of demolition and removal, the demolition and removal party and the parties subject to demolition and removal shall enter into an agreement for compensation and relocation in respect of the demolition and removal. If the demolition and removal party, the parties subject to demolition and removal and the house tenant cannot reach an agreement, any party concerned may apply to the original approval department in charge of demolition and removal for a ruling. Such ruling shall be rendered within 30 days of the application. If any party disagrees with the ruling, it may initiate proceedings in the people’s court within three months after the delivery of the ruling. Pursuant to law, if the demolition and removal party has provided housing or monetary compensation to the party subject to demolition and removal, the demolition and removal shall not be stopped during the period of legal proceedings.

Pursuant to the Regulations on Demolition, compensation for housing demolition and removal may be effected by way of monetary compensation or exchange of house property rights. If the monetary compensation method is used, the amount of compensation shall be assessed on the basis of the real property market price determined by the location, uses and the gross area of the housing to be demolished. The demolition and removal party shall entrust a qualified real estate assessment agency to conduct an assessment on the housing to be demolished. If property right exchange is used, the demolition and removal party and the party subject to demolition and removal shall, on the basis of the real

property market price and the location, uses and the gross area of the housing to be demolished, calculate the amount of compensation which shall be made for the housing to be demolished, the real property market price of the housing to be exchanged for the housing to be demolished, and work out the difference between the two.

In addition to paying the demolition and removal compensation, the demolition and removal party shall pay removal allowance to the party subject to demolition and removal. During the interim period, when the party subject to demolition and removal arranges accommodation by himself, the demolition and removal party shall pay temporary relocation allowance. On the other hand, when the demolition and removal party provides accommodation to the party subject to demolition and removal during the interim period, the demolition and removal party need not to pay the temporary relocation allowance.

The Regulations on Demolition was repealed by the Regulation on Expropriation of and Compensation for Buildings on State-owned Land (國有土地上房屋徵收與補償條例) promulgated by the State Council and effective on 21 January 2011 (the “**Expropriation Rules**”). In accordance with the Expropriation Rules, buildings on state-owned land can be expropriated for public interest reasons, and those owners of expropriated buildings which are located on state-owned land are entitled to fair indemnification. Where a building is expropriated according to law, the corresponding right to use the state-owned land shall be retracted at the same time. Compensation agreements regarding the compensation methods, compensation amount, payment terms and other relevant issues shall be entered into between those expropriated owners and the relevant PRC governmental authorities responsible for house expropriation. The compensation for the value of the expropriated building shall not be less than the market price of a property similar to the expropriated building on the date of announcement of the decision to expropriate the building. The value of the expropriated building shall be assessed by a qualified real estate price assessment institution according to the assessment measures for building expropriation. Indemnification shall be made prior to the relocation. In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnification according to the application of the relevant PRC governmental authorities responsible for house expropriation and publish a government notice within the area of the expropriation. No enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Real estate development enterprises are prohibited from participating in relocation arrangement.

(v) Construction of the New Housing

Before commencing any construction work, the real estate development enterprise shall apply for a Permit for Erection of Construction Projects from the construction authority under the local government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in 15 October 1999 (amended in 4 July 2001).

Under the Building Construction and Municipal Facilities Construction Tender Management Regulations (房屋建築和市政基礎設施工程施工招標投標管理辦法) (the “**Tender Regulations**”) promulgated in June 2001 which states that a tender appraisal committee should be set up for the appraisal of the tender for construction works for the project. According to the Tender Regulations, the tender appraisal committee to be organised by the tenderee shall include representatives of the tenderee and relevant specialists selected by the tenderee from a list certified by the construction administration authorities. The number of members of the tender appraisal committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to at least RMB2 million or the total investment of the project is at least RMB30 million, the real estate development enterprise is required to undertake a bidding process for the award of the construction contracts.

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 (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by the Ministry of Construction in April 2000 (amended in October 2009) and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction in June 2000, 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 real estate administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination 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 the pass of 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 composite completion inspection and acceptance. Projects developed in stages can also be inspected and accepted in stages.

Pursuant to the Circular on Improvement of Land Management for Real Estate and the Key Work on Regulation and Control in Year 2012 promulgated by Ministry of Land and Resources (國土資源部關於做好2012年房地產用地管理和調控重點工作的通知) on 15 February 2012, all local governments shall strictly put into practice the reporting system of the commence and completion of construction work. There shall be provisions in the land grant contract specifying that the land user shall report in writing to the land and resources administrative department on or prior to the commence and completion of the construction

work. In the event of failure to commence or complete the construction work, additional provisions in the land grant contract and decision letter on allocation or a supplement agreement shall be signed for purpose of supervising on what has been reported.

(vi) Sales/Pre-sales of Commodity Buildings

Commodity buildings can be sold before or after their completion. These sales are regulated and conducted 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 the Ministry of Construction on 4 April 2001, the Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) amended by the Ministry of Construction on 20 July 2004 and in accordance with the Development Regulations.

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. 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.

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: (a) 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; (b) the enterprise has obtained a land use rights certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity buildings have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been completed; (f) 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; (g) 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.

According to the Property Rights Law, parties can apply for registration of a caveat by agreement in order to secure that they obtain future property rights. After registration of such caveat, without permission of the persons who enjoy such right of registration of the caveat, any disposal of the relevant real estate shall have no effect to the property rights.

Pursuant to the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (國務院辦公廳關於促進房地產市場平穩健康發展的通知) issued by the General Office of the State Council on 7 January 2010, local governments must decide the minimum scale of pre-sales rationally and may not issue separate pre-sale permits by floor or unit.

On 13 April 2010, the Ministry of Housing and Urban-Rural Development issued the Notice on Further Strengthening the Supervision over the Real Estate Market and Improving the Pre-sale System of Commercial Housing (住房和城鄉建設部關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It provides that, among other things, within 10 days after the real estate development enterprises obtain the pre-sale permit for the project for sale, they shall release the information regarding number of properties allowed for pre-sale under such pre-sale permission and the prices of such mentioned pre-sale units to the public in one time. They shall also sell the properties to the public at the price as published and strictly subject to the pre-sale permits.

On 4 November 2010, the Ministry of Housing and Urban-Rural Development and the SAFE collectively promulgated the Notice on Further Regulating the Administration on House Purchase by Overseas Organization and Individual (住房和城鄉建設部、國家外匯管理局關於進一步規範境外機構和個人購房管理的通知), which stipulates that, except as otherwise stated in laws and regulations, an overseas individual shall solely purchase one unit of owner-occupied residential house, and an overseas organization with a branch or representative office set up in the PRC shall solely purchase non-residential house necessary for business operations in the city where it is registered.

On 16 March 2011, the NDRC promulgated the Regulations on Sales of Commodity Houses at Expressly Marked Price (商品房銷售明碼標價規定) (“**the Regulation**”) with effect from 1 May 2011, which provide that real estate development enterprises and intermediary agencies (collectively, “**the Sellers and the Agencies**”) shall, during the period of selling new-built commodity houses, publish and mark the prices of the commodity houses and closely related factors thereof as well as the pricing standards. The Regulation stipulates that the Sellers and the Agencies shall mark the price of each commodity house with one price only. For real estate development projects that have obtained the pre-sale permits or are registered as finished houses, the Sellers and the Agencies shall publish the availability of all houses that are permitted to be sold and the price of each house within a specified time frame. The Sellers and the Agencies shall not sell the house at a price higher than the marked price and shall not collect charges not specified. Meanwhile, intermediary agencies shall sell second-hand commodity houses with reference to the Regulation. In the event that the Sellers and the Agencies do not expressly mark the price

or publish their charges, or commit fraud through the marking of price or pricing artifices, local competent authorities of county-level or above shall have the right to penalize the Sellers and the Agencies accordingly.

(vii) Individual Housing Loans

The Circular on for the Determination of Second Residential Property in Individual Commercial Housing Loan Applications (住房和城鄉建設部、中國人民銀行、中國銀行業監督管理委員會關於規範商業性個人住房貸款中第二套住房認定標準的通知) was jointly promulgated by the Ministry of Housing and Urban-Rural Development, PBOC and CBRC on 26 May 2010. The circular lays down the determining criteria of a property being identified as an individual's second residential property in individual commercial housing loan applications. The circular provides that the number of residential properties owned by an individual loan applicant shall be determined with reference to the number of completed residential properties actually owned by the members of the family (including the individual loan applicant, their spouses and minor children) of the individual who plans purchase another residential property with the use of individual commercial housing loan.

The application or authorization of any individual commercial housing loan by an individual borrower shall be subject to checks on the borrowers' residential property registry records through the property registration information system and the issuance written results of such checks by the urban real estate authorities. The lender should implement a differential credit policy for the individual borrower's second (or above) residential property in accordance with the number of residential properties owned by such borrowers. The policy in this circular is also applicable to non-residents who can provide local tax clearance certificates or local social insurance payment certificates for one year or above.

The Circular on Regulations of Policies Concerning Individual Housing Provident Fund Loans (住房和城鄉建設部、財政部、中國人民銀行、中國銀行業監督管理委員會關於規範住房公積金個人住房貸款政策有關問題的通知) was jointly promulgated by the Ministry of Housing and Urban-Rural Development, the Ministry of Finance, PBOC and CBRC on 2 November 2010 and it lays down regulations in relation to the Individual Housing Provident Fund Loans. The circular provides that Individual Housing Provident Fund Loans could only be used to purchase, build, re-build and repair ordinary and privately used residential properties of labourers with the aim of meeting their basic need for housing. The making use of Individual Housing Provident Fund Loans to carry out speculative purchase of properties is strictly prohibited. To purchase the first ordinary residential property for private use with Individual Housing Provident Fund Loans, the down payment of the purchase shall not be less than 20% of the total purchase price if the gross floor area of the property is less than 90 meter squares (inclusive). If the gross floor area of the property is more than 90 meter squares, the down payment shall not be less than 30% of the total purchase price.

For the purchase of the second residential property, Individual Housing Provident Fund Loans are only available to labourers whose families' per-capita gross floor area is lower than the local average, and that could only be used to purchase ordinary and privately used residential properties that help improve the living condition of the labourers. The down payment for the purchase of the second residential property shall not be less than 50% of the total purchase price, and the interest rate of the loan shall not be less than 1.1 times of the interest rate for Individual Housing Provident Fund Loans in relation to the purchase of the first residential property during the same period. Individual Housing Provident Fund Loans are not available to laborers and their families for purchasing the third (or more) residential property.

(viii) Warranty and Maintenance of the Completed Real Estate Project

Under the Regulations on Quality Management of Construction Projects (建設工程質量管理條例) promulgated by the State Council on 30 January 2000, when a construction contractor hands over construction completion examination and acceptance report, it should provide the quality guarantee, which should specify the scope, term and responsibilities of quality warranty.

According to the Measures on the Warranty and Maintenance of Building Construction Projects (房屋建築工程質量保修辦法) promulgated by the Ministry of Construction on 30 June 2000, under the normal usage, the warranty and maintenance period to different parts of the construction projects should not be shorter than the following:

- (i) the reasonable using period as stipulated by the project designing documents for the groundwork foundation and main body structure project;
- (ii) five years for the waterproof project of the surface, the toilet and rooms having waterproof requirements, the leakage preventing of the outside walls;
- (iii) two heating periods/cooling periods for the heating and cooling system;
- (iv) two years for the electrical system, water supply pipe and drainpipe, equipment fixing; and
- (v) two years for the fitment project.

The warranty and maintenance period of other parts of the construction projects may be determined by real estate development enterprises and the builder's agreement.

On 20 May 1998, the Ministry of Construction promulgated the Regulation for Adoption of Residential Property Quality Warranty and Residential Building User Guide for Commodity Residential Properties (商品住宅實行住宅質量保證和住宅使用說明書制度的規定), which took effect from 1 September 1998. This regulation and provides that the residential property quality warranty shall include the following contents: (1) quality grading as verified by a construction quality supervision authority; (2) guaranteed repair of the foundation and main structure within their reasonable use life; and (3) the contents and term of guaranteed

repair of all parts and components under normal using conditions. The term of guaranteed repair of the residential buildings shall commence at the date of delivery by the developers of the residential buildings which have passed the check and acceptance procedure.

III. OVERVIEW OF SPECIFIC LAWS AND REGULATIONS GOVERNING THE REAL ESTATE DEVELOPMENT ENTERPRISES AND THE COMPANY'S OTHER PROPERTY BUSINESSES IN THE PRC

(a) Leases of Buildings

Both the Interim Regulations on Grant and Transfer and the Real Estate Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the Measures for Administration of Leasing of Urban Buildings (城市房屋租賃管理辦法) (the “**Leasing Measures**”) prior to 1 February 2011 and is governed by the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) since 1 February 2011. The Leasing Measures were promulgated by the Ministry of Construction on 28 April 1995 in accordance with the Real Estate Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or Commercial Property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights shall not exceed 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real estate administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. The parties involved in the leasing of housing may entrust in writing another party to handle the registration and filing procedure of the leasing. In case of any change in the information of the registration and filing of the leasing of housing or the renewal or termination of the lease, the parties concerned shall go through the formalities for the change, extension or cancellation of the registration and filing of the leasing of housing at the original department handling the registration and filing procedure of the leasing within 30 days. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. The Administrative Measures for Commodity House Leasing further strengthen the administration of leasing by stipulating more specific procedural rules of lease registration with local real estate administration authority.

On 30 July 2009, the Supreme People's Court issued the Interpretation of Certain Issues concerning the Application of Law for Judging Disputes over Urban Building Leasing Contracts (關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋) which became effective on 1 September 2009 (the “**Leasing Interpretation**”). The Leasing Interpretation clarifies that courts should not uphold the claim that a building leasing contract is invalid due to the failure of registration. If parties agreed on such registration being a condition precedent to the effectiveness of building leasing contract, the agreement prevails, unless that one party has performed major obligations which were accepted by the other party.

(b) Property Financing

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

- (1) The loan by commercial banks to real estate development enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extent such loans as current capital loan for property development project or other loan item. 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 for Construction Works and Construction Permit for Construction Works;
- (2) Commercial banks shall not grant loans to real estate development enterprise to pay off land premium.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on 30 August 2004, any real estate development enterprise applying for property development loans shall have at least 35% of capital funds required for the development.

On 24 May 2006, the State Council forwarded the Opinion on Adjusting the Housing Supply Structure and Stabilising the Property Prices of the Ministry of Construction and Other Departments (關於調整住房供應結構穩定住房價格的意見). The regulations provide the following: Tightening the control of property development advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to real estate development enterprises who do not have the required 35% or more of the total capital fund for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate development enterprises who have a large number of idle lands and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer.

According to the Circular 171, 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 with under 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 China Banking Regulatory Commission jointly issued the Notice on Strengthening the Administration of Commercial Property Credit Loans (關於加強商業性房地產信貸管理的通知) which further stipulates stringent requirements that the commercial banks shall not issue loans in any form to a project of which the proportion of capital (owners' equity) is less than 35 percent or that has not received the State-owned Land Use Rights Certificate, the Planning Permit for Construction Land, the Planning Permit for Construction Works or the Construction Permit; 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; commercial banks shall not accept commercial properties that have been left idle for more than three years as mortgage for loans. In principle, 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.

Pursuant to the Certain Opinions of the General Office of the State Council on Promoting the Healthy Development of the Property Market (國務院辦公廳關於促進房地產市場健康發展的若干意見) promulgated on 20 December 2008, the state supports the real estate development enterprises' reasonable financing demands. Commercial banks shall, according to the principles and supervision requirements for credit, increase credit in the construction of small and medium-sized ordinary commodity houses at low or medium price, especially projects under construction.

With regard to the enterprises or projects relating to merger or reorganisation by competent and reputable real estate development enterprises, commercial banks shall provide financing support and relevant financial services. The State supports enterprises that have good credit in issuing enterprise bonds upon approval and making experiments on property investment trust funds so as to expand direct financing channels.

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%. When providing credit support and services, financial institutions shall carry out independent assessment to prevent financial risks and conduct comprehensive assessment and evaluation on the source of the capital, returns on investment and credit risks with reference to the capital ratio requirements promulgated by the state and the actual status of the borrower and the project, to independently decide whether to grant the loan and the specific amount and proportion of the loan.

On 7 January 2010, the General Office of the State Council issued the Circular on Promoting the Steady and Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場平穩健康發展的通知), pursuant to which, financial institutions are required to adhere strictly to requirements regarding internal capital ratios for real estate projects, and are prohibited from advancing funds to developers or projects that do not satisfy the requirements under the credit policies in relation to real estate development. To the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%, the loan rates should be strictly commensurate with the credit risks.

On 31 December 2009, the China Banking Association issued the Self-regulation Consensus on the Regulation of Real Estate Mortgage Loan Business for Individuals and Maintain Market Order (關於規範做好個人房地產按揭貸款業務維護市場秩序的自律共識), pursuant to which, (1) all members of the China Banking Association are required to strengthen their business operations with respect to real estate mortgage loans for individuals, and (2) commencing from 1 January 2010, all members of the China Banking Association are prohibited from paying commissions to real estate brokers or other intermediaries for pure business solicitation and introduction purposes that are not in proportion to the services rendered by such persons.

The PBOC raised the Renminbi deposit reserve ratio for large-scale financial institutions by 0.5% as of 18 January 2010 to 16%. The adjustment of the deposit reserve ratio is intended to slow the growth of money supply, which may adversely affect demand for property in China.

The PBOC decided to raise the Renminbi deposit reserve ratio of the deposit financial institutions (存款類金融機構) by 0.5% as of 25 February 2010 to 16.5%. The deposit reserve ratio of the small-scale financial institutions such as the rural credit cooperatives will temporarily remained.

The PBOC decided to raise the Renminbi deposit reserve ratio of the deposit financial institutions (存款類金融機構) by 0.5% as of 10 May 2010 to 17.0%. The deposit reserve ratio of the small-scale financial institutions such as the rural credit cooperatives will temporarily remain.

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 (1) 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 (2) 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.

(c) Insurance

There is no mandatory provision in the PRC laws, regulations and government rules which require a real estate development enterprise to take out insurance policies for its real estate developments.

(d) Employment

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) was implemented on 1 January 2008 and its implementation rules was promulgated on 18 September 2008 (中華人民共和國勞動合同法實施條例) (collectively referred to as the "**Labor Contract Laws**"). The Labor Contract Laws set out specific provisions in relation to the execution, contents and term of employment contracts and the rights and obligations of employees and employers (including minimum wage requirements). Labor Contract Laws provide, among others, that at the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, place of work, occupational hazards, production safety conditions, work compensation and other matters which the employee may request to be informed about. In addition, unless otherwise prohibited by the PRC Labor Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. Further, at the time of

termination of an employment contract, the amount of compensation payment shall be equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. The employer is also required to issue to the employee a proof of termination of the employment contract and carry out the procedures for the transfer of the employee's file and social insurance account within 15 days. An employer needs to archive all terminated employment contracts for not less than two years. The implementation of this law provides protection for both employees and employers. Our Company shall comply with this law.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated in an amount equal to three times their normal daily salaries for each vacation day being waived.

The Employment Promotion Law of the Peoples' Republic of China (中華人民共和國就業促進法) has been in place since 1 January 2008. This law mainly regulates the employment systems such as employment supporting services and human resource market, and sets out specific provisions in relation to the hiring practices of employers to ensure the existence of an equal opportunity environment for all candidates. This law provides that employers cannot apply different hiring criteria to men and women, refuse employment solely on the basis of gender, background or any disability. Further, an employer cannot contractually restrict female employees from marrying or bearing children.

(e) Major Taxes Applicable to the Company's Business in the PRC

(i) Enterprise Income tax

According to the PRC Enterprise Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) enacted by the National People's Congress on 9 April 1991 and enforced on 1 July 1991 and the Implementation Rules of Enterprise Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises (外商投資企業和外國企業所得稅法實施細則) enacted by the State Council on 30 June 1991 and enforced on 1 July 1991, the rate of enterprise income tax for foreign investment enterprises and enterprise income tax for entities and premises engaged in production and operation by foreign enterprises in China shall be 30%, and the rate of local income tax shall be 3%. The above-mentioned law and rules were repealed by the PRC New Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "**New EIT Law**") promulgated on 16 March 2007 and effective from 1 January 2008.

Pursuant to the Provisional Regulations of the PRC on Enterprise Income Tax (企業所得稅暫行條例) issued by the State Council on 13 December 1993 and enforced on 1 January 1994 and the Implementation Rules of Provisional Regulations on Enterprise Income Tax (企業所得稅暫行條例實施細則) enacted by the Ministry of Finance on 4 February 1994, the income tax rate applicable to domestic enterprises other than foreign investment enterprises and foreign enterprises is 33%. The above-mentioned rules were repealed by the New EIT Law as of 1 January 2008.

According to the New EIT Law enacted by the National People's Congress on 16 March 2007 and the Implementation Rules of Enterprise Income Tax Law (企業所得稅法實施條例) enacted by the State Council on 6 December 2007 (the foresaid law and regulation were enforced from 1 January 2008 onwards), a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises. Under the New EIT Law and its Implementation Rules, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose "de facto management body" is located in the PRC are treated as resident enterprises for PRC tax purposes. If an entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate, which will include any dividend income the entity receives from its subsidiaries, unless otherwise provided therein. Although the New EIT Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the New EIT Law. Furthermore, the New EIT Law and its Implementation Rules, effective from 1 January 2008, provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realised on the transfer of shares by investors will be subject to 10% tax if such gain is regarded as income derived from sources within the PRC. Moreover, according to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the PRC resident enterprise who distributes dividend to its Hong Kong shareholders shall be subject to enterprise income tax according to the PRC laws, however, if the beneficiary of the dividend is a Hong Kong tax resident who directly hold not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividend. If the beneficiary of the dividend is a Hong Kong tax resident who directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividend.

On 11 April 2008, the State Administration of Taxation issued the Notice of the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (關於房地產開發企業所得稅預繳問題的通知), requiring real estate development enterprises to prepay enterprise income tax by quarter (or month) according to the current actual profit. According to the Notice, for the incomes generated from the pre-sale before completion of the construction of buildings for residential or commercial use or other kinds, the tax prepayments thereof shall be paid upon calculation of the estimated quarterly or monthly profit according to the preset estimated profit rate, which shall be readjusted according to the actual profit after the completion of construction and settlement of the taxable cost.

On 6 March 2009, the State Administration of Taxation issued the Notice on the Measure Dealing with Income Tax of Real Estate Development Enterprises (房地產開發經營業務企業所得稅處理辦法) effective on 1 January 2008, which specifically stipulate the rules regarding tax dealing cost of income, tax dealing of cost deduction, verification of calculated tax cost and tax dealing on specified item according to the New EIT Law and its Implementation Rules.

On 12 May 2010, the State Administration of Taxation promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises (關於房地產開發企業開發產品完工條件確認問題的通知), which provides that a property should be deemed to as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate development enterprises should conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

(ii) Business Tax

Pursuant to the Provisional Regulations on Business Tax (營業稅暫行條例) enacted by the State Council on 13 December 1993 and enforced on 1 January 1994 and which was later amended in November 2008 and became enforceable on 1 January 2009 and its Implementation Rules on the Provisional Regulations on Business Tax (營業稅暫行條例實施細則) issued by the Ministry of Finance on 25 December 1993, which was later amended in 2008 (enforceable on 1 January 2009) and amended in 2011 (enforceable on 1 November 2011), the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

(iii) Land Appreciation Tax

According to the requirements of the Provisional Regulations on Land Appreciation Tax (土地增值稅暫行條例) (the “**Provisional Regulations on Land Appreciation Tax**”) which was enacted on 13 December 1993 and effected on 1 January 1994, and the Implementation Rules on the Provisional Regulations on Land Appreciation Tax (土地增值稅暫行條例實施細則) (the “**Land Appreciation Tax Implementation Rules**”) which was enacted and enforced on 27 January 1995, any taxpayer who gain income from the transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items. Taxpayer who engaged in real estate development is entitled to an additional 20% deduction on the sum of payment of obtaining land use right and cost of developing land, new buildings and ancillary facilities (the “**Additional Property Development**”). The related deductible items aforesaid include the following:

- amount paid for obtaining the state-owned land use right;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;

- other deductible items as specified by the MOF;
- the sum of payment of the Additional Property Development.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Implementation Rules and the Notice issued by the Ministry of Finance in respect of the Levy and Exemption of Land Appreciation Tax for Property Development and Transfer Contracts signed before 1 January 1994 (財政部關於對一九九四年一月一日前簽訂開發及轉讓合同的房地產征免土地增值稅的通知) which was announced by the MOF and State Administration of Taxation on 27 January 1995, land appreciation tax shall be exempted under any one of the following circumstances:

- taxpayers building ordinary standard residential properties (refer to residential properties built in accordance with the local standard for general civilian residential properties, and deluxe apartments, villas and resorts are not under the category of ordinary standard residential properties) for sale, where the appreciation amount does not exceed 20% of the sum of deductible items;
- properties taken over or the State-owned land use rights repossessed which were approved by the government due to city planning and construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of where they have been living for five years or more, and after obtaining tax authorities' approval;
- for property transfer contract which were signed before 1 January 1994, whenever the properties are transferred, the land appreciation tax shall be exempted;
- if the property development contract were signed before 1 January 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the land appreciation tax shall be exempted if the properties are transferred within five years after 1 January 1994 for the first time. The date of signing the contract shall be the date of signing the sale and purchase agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, and after auditing has been conducted by the local financial and tax authorities, the tax-free period may be appropriately prolonged, subject to the approval by the MOF and the State Administration of Taxation.

On 24 December 1999, the MOF and the State Administration of Taxation issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) that extended the period for the land appreciation tax exemption policy as mentioned in paragraph (5) above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Implementation Rules, due to the relatively long period required for real estate development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate development enterprises to declare and pay the land appreciation tax. Therefore, in order to assist the local tax authorities in the collection of land appreciation tax, the MOF, State Administration of Taxation, the MOFCOM and the Ministry of Land and Resources had separately and jointly issued several notices to restate the following: after the transfer contract is signed, the taxpayers should declare the tax to the local tax authorities where the properties are located, and pay the land appreciation tax in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the Realty Title Certificate.

The State Administration of Taxation also issued the Notice in respect of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to request local tax authorities to modify the management system of land appreciation tax collection and operation procedures, to build up a proper tax return system for land appreciation tax and to improve the methods of pre-levying tax for the pre-sold properties. The Notice also pointed out that the preferential policy of land appreciation tax exemption has expired and that such tax shall be levied again for first time transfer of properties under real estate development contracts signed before 1 January 1994 or project proposals that have been approved and capital was injected for development. The State Administration of Taxation issued the Notice in respect of Strengthening the Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) on 2 August 2004 and the Notice of the State Administration of Taxation in respect of Further Strengthening the Administration of the Collection of Land Use Tax and Land Added-value Tax in Cities and Towns (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on 5 August 2004. The aforesaid notices point out that the administration work in relation to the collection of land appreciation tax should be further strengthened. The preferential policy of land appreciation tax exemption for first time transfer of properties under real estate development contracts signed before 1 January 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to the land appreciation tax should be further improved and perfected.

On 2 March 2006, the MOF and State Administration of Taxation issued the Notice of Certain Issues Regarding Land Appreciation Tax (關於土地增值稅若干問題的通知). The notice clarifies the relevant issues regarding land appreciation tax as follows:

(1) *Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties Built by Taxpayer*

The notice sets out the defined standards for ordinary standard residential properties.

Where any real estate development enterprises build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the property before the notice is issued and for which land appreciation tax exemption has been granted by the tax authority on the basis of the criteria of ordinary residential properties originally set by the people's government of the province, autonomous region or municipality, no adjustment shall be retroactively made.

(2) *Advance Collection and Settlement of Land Appreciation Tax*

- All regions shall further improve the measures for advance collection of land appreciation tax, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;
- If any tax pre-payment is not paid within the advance collection period, overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period, according to the relevant provisions of the Law of Tax Collection and Administration (稅收徵收管理法) and its implementation rules;
- As to any property project that has been completed and passed the inspection upon completion, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to settle the land appreciation tax on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The

specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region, municipality, or a city under separate state planning;

On 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Real estate Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on 1 February 2007. The Notice sets out further provisions concerning the settlement of land appreciation tax by real estate development enterprises by clarifying details regarding units responsible for settlement of land appreciation tax, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and handling of transfer after tax is imposed and settled. Local provincial tax authorities can formulate their own implementation rules according to the local situation under the requirements of the Notice. The key requirements of the Notice sets out as follows:

(i) Settlement of land appreciation tax on a project basis

The settlement of land appreciation tax shall be made for each approved real estate development project. As for a project developed by stages, the settlement shall be made for each stage of the project.

In case a development project comprises both ordinary residence and non-ordinary residence, the added value shall be calculated separately.

(ii) Settlement requirements for land appreciation tax

(a) The taxpayer shall settle its land appreciation tax under any of the following circumstances:

- a real estate development project is completed and sold out;
- a real estate development project that has not been completed but it is transferred as a whole;
- the State-owned land use right is transferred.

A taxpayer that falls under the above said provisions shall handle the formalities for settlement at the competent tax authority within 90 days as of the date when it meets the settlement requirements.

- (b) In case of any of the following circumstances, the tax authority may require the taxpayer to settle its land appreciation tax:
- as for a real estate development project completed and accepted, construction area already transferred makes up to 85% or more of saleable construction area of the whole project; or if it is below 85%, remaining saleable construction area has been leased or used self-purposes;
 - the sale is not completed upon the expiration of three years commencing from the day when the sale (pre-sale) permit is obtained;
 - the taxpayer has filed an application for writing-off tax registration but has not handled the formalities for settling the land appreciation tax;
 - other circumstances as prescribed by the provincial tax authorities.

A taxpayer that falls under the above said provisions shall handle the formalities for settlement within the time limit prescribed by the competent tax authority.

(iii) Verification of land appreciation tax collection

Where a real estate development enterprise is under any of the following circumstances, the tax authority may, by consulting the tax burdens of similar local enterprises in terms of development scale and income level, collect land appreciation tax against it by verification on the basis of the levying rate that is not lower than the advance levying rate:

- it fails to set up book of account in accordance with the provisions of laws and regulations;
- it destroys the book of account without authorisation or refuses to provide the data for tax levy;
- it has established book of account, but the accounting items are confusing, or its cost information, revenue vouchers, and expense vouchers are mutilated and incomplete and it is difficult to determine the transfer or amount under the deductible items;

- it meets the settlement conditions of land appreciation tax, but it fails to go through the settlement formalities within the prescribed time limit, or it is ordered by the tax authority to conduct settlement within a certain time limit but still fails to do so upon the expiration of the time limit; or
- the taxable basis declared is obviously much lower, and without reasonable ground.

On 12 May 2009, the State Administration of Taxation issued the Notice on Administration and Procedure of the Settlement of Land Appreciation Tax (國家稅務總局關於印發<土地增值稅清算管理規程>的通知), the content of which is consistent with the notice issued on 28 December 2008, with respect to the settlement of land appreciation tax on a project basis, settlement requirement for land appreciation tax and verification of land appreciation tax collection.

Further, the Notice laid down the specific conditions and key issues for calculation of the deductible expenses when settling land appreciation tax, such as land premium, land requisition fee, common ancillary facility fee and indirect fee.

On 19 May 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (關於土地增值稅清算有關問題的通知), which provides further clarifications and guidelines on settlement of land appreciation tax, income recognition, deductible expenses, timing of assessment and other related issues.

On 25 May 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) which provided that the minimum prepayment rate of land appreciation tax shall be no less than 2% for properties in eastern China, no less than 1.5% for properties in central or northeastern China and no less than 1% for properties in western China. The prepayment rate of land appreciation tax shall be determined by the local authorities based on different property types in the locality.

(iv) Deed tax

Pursuant to the Provisional Regulations on Deed Tax (契稅暫行條例) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% to 5%. The People's Government of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for record.

According to the Reply to the Clarification of Deed Tax Calculation Basis For Transferring State-owned Land Use Right (關於明確國有土地使用權出讓契稅計稅依據的批覆), the amount of deed tax payable when transferring State-owned land use right is the total economic benefits paid by transferee for obtaining the land use right. The amount of deed tax payable for transfer of State-owned land use right through “tender, auction or listing-for-sale” shall be calculated based on the price of the deal and the early development cost of land is non-deductible.

(v) Urban land use tax

Pursuant to the Provisional Regulations Governing Land Use Tax in Cities and Towns (城鎮土地使用稅暫行條例) enacted by the State Council on 27 September 1988 and enforced on 1 November 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land collected according to the tax rate determined by local tax authorities. According to the Notice on Land Use Tax Exemption of Foreign Investment Enterprises and Institutions of Foreign Enterprises in China (對中國外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知) enacted by the MOF on 2 November 1988 and the Reply on Land Use Tax Exemption of Foreign Investment Enterprises issued by the State Administration of Taxation (國家稅務總局關於外商投資企業徵免土地使用稅問題的批覆) on 27 March 1997, land use fee instead of land use tax shall be collected from a foreign investment enterprise. However, the Provisional Regulations Governing Land Use Tax in Cities and Towns (城鎮土地使用稅暫行條例) was revised by the State Council on 31 December 2006, under which the land use tax would be three times the amount of that of the same tax before which was came into effect as of 1 January 2007. The details rates are as follows:

- between RMB1.5 and RMB30 in large cities;
- between RMB1.2 and RMB24 in medium cities;
- between RMB0.9 and RMB18 in small cities;
- between RMB0.6 and RMB12 in county towns, towns/bases operated under an organisational system, and industrial and mining districts.

According to the provisional regulations, land use tax shall be collected from foreign invested enterprises, foreign enterprises and foreign individuals.

On 11 June 2007, the State Administration of Taxation issued the Notice on Cancelling Certain Administrative Examination and Approval Items for Local Taxes (關於取消部分地方稅行政審批項目的通知), which came into force as of the same date. Under this notice, certain preferential treatments of land use tax have been cancelled as follows:

- for certain infrastructure construction projects, in particular the large-scale infrastructure construction projects supported by relevant national industry policies, which require large areas of land and long-term construction but without

operational revenue during the construction period, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specific situations.

- for the real estate development enterprises that have difficulty in paying the land use tax prior to the sale of commercial properties, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specific situations.
- the exemption or reduction of land use tax as a benefit for using land for port construction, electric power industry and coal industry.

(vi) Property tax

Under the Provisional Regulations on Property Tax (房產稅暫行條例) enacted by the State Council on 15 September 1986 and enforced on 1 October 1986, property tax shall be 1.2% if it is calculated on the basis of the residual value of a property, and 12% if it is calculated on the basis of the rental. The following categories of property shall be exempt from property tax:

- property of governmental agencies, civil organisations and the armed forces for their own use;
- property of institutions whose operating expenses are allocated by national finance for their own use;
- property of religious temples, shrines' parks and places of historic interest for their own use;
- property owned by individuals for non-business purposes;
- other properties approved by the MOF to be exempted from tax.

On 31 December 2008, the State Council decided to abolish the urban property tax applicable to foreign-invested enterprises, foreign individuals and entities and since 1 January 2009, the urban property tax has been substituted by the property tax, which as a result has been applicable to both local and foreign entities and individuals.

(vii) Stamp duty

Under the Provisional Regulations on Stamp Duty (印花稅暫行條例) enacted by the State Council on 6 August 1988 and enforced on 1 October 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and Land Use Rights Certificates, stamp duty shall be levied on an item basis of RMB5 per item.

(viii) Urban maintenance and construction tax

Under the Provisional Regulations on Urban Maintenance and Construction Tax (城市維護建設稅暫行條例) enacted by the State Council on 8 February 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated by the State Council on 18 October 2010, the Provisional Regulations on Urban Maintenance and Construction Tax and Provisional Provisions on Imposition of Education Surcharge issued by the State Council in 1985 and 1986, respectively shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from 1 December 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

(ix) Education surcharge

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知). Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated by the State Council on 18 October 2010, the Provisional Regulations on Urban Maintenance and Construction Tax and Provisional Provisions on Imposition of Education Surcharge issued by the State Council in 1985 and 1986, respectively shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from 1 December 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

(f) Major Environmental Protection Requirements

In accordance with the PRC Environmental Protection Law (中華人民共和國環境保護法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people's governments of provinces, autonomous

regions and municipalities directly under the central government may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

Under the Regulations on the Administration of Environmental Protection of Construction Project (建設項目環境保護管理條例) promulgated by the State Council on 29th November 1998, the development of each construction project is subject to the environment impact assessment, and the real estate development enterprise should submit to the competent administrative authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. And the real estate development enterprise can only commence the construction work after the competent authorities' examination and approval.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the State Environmental Protection Administration of China on 27 December 2001, each construction project completed is subject to the inspection of the competent environmental protection administrative authorities, and it can only be put into use after the construction project has passed the inspection and acquired the acceptance approval.

(g) Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is currently not freely convertible into foreign exchange. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-U.S. dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announces the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange (外匯管理條例) (the “**Control of Foreign Exchange Regulations**”) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account-items and capital account-items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997 and 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers. On the basis of the Control of Foreign Exchange Regulations, the PBOC issued the Interim Administrative Measures for Foreign Exchange Settlement and Sales Business of Designated Foreign Exchange Banks (外匯指定銀行辦理結匯、售匯業務管理暫行辦法) on 16 November 2002 (enforceable on 1 December 2002). Under the measures, the designated foreign exchange banks shall deal the foreign exchange settlement and sales for clients according to the benchmark RMB exchange rates and the stipulated floating range thereof released by the PBOC.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks. On 21 July 2005, the PBOC

announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) once were required to sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks. Pursuant to the Circular of the State Administration of Foreign Exchange on Retaining Foreign Exchange Income under Current Account by Domestic Entities (關於境內機構自行保留經常項目外匯收入的通知) issued by the SAFE on 12 August 2007, domestic entities can retain foreign exchange income under current account in light of its operation needs.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 1 September 2006, SAFE and MOFCOM jointly issued the Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知). The notice provides: (i) where a foreign-invested real estate enterprise fails to pay the registered capital in full or to acquire a State-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve the conversion of foreign debt; (ii) where a foreign organisation or individual acquires a domestic real estate enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) Chinese and foreign investors of a foreign-invested real estate

enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) funds in a foreign exchange account exclusive to foreign investors opened by a foreign organisation or individual in a domestic bank shall not be used for real estate development or operation. The notice also provides for a foreign exchange working process related to branches of overseas institutions established within China, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity houses within China.

IV. OVERVIEW OF LAWS AND REGULATIONS GOVERNING THE PROPERTY MANAGEMENT SECTOR IN THE PRC

(a) Qualifications of the Property Management Enterprise

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, and later amended on 26 August 2007 and enforced on 1 October 2007, the state implements a qualification scheme system in monitoring the property management enterprises. According to the Measures for Administration of Qualifications of Property Management Enterprises (物業管理企業資質管理辦法) enacted by the Ministry of Construction on 17 March 2004 and revised on 26 November 2007, a newly established property management enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government of the municipalities directly under the central government or city with districts where the property is located according to its business registration for a grading assessment.

According to the Measures for the Administration on Qualifications of Property Management Enterprises, the qualifications of a property management enterprise shall be classified as class 1, class 2 and class 3. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class 1 property management enterprises. The competent construction departments of the people's governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class 2 property management enterprises, and the competent real property departments of the people's governments of municipalities directly under the central government shall be responsible for issuance and administration of the qualification certificate of the classes 2 and 3 property management enterprises. The competent real property departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class 3 property management enterprises. The newly established property management enterprise shall be assessed as the lowest grade, and its interim grade shall be effective for one year.

The property management enterprises with the class 1 qualification may undertake various property management projects. The property management enterprises with the class 2 qualification may undertake the property management business of residential management

projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property management enterprises with the class 3 qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

APPENDIX V	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 January 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 26 August 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission,

participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted

auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in subparagraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is

properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of

its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 31 January 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of

members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

The Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability on 5 January 2012. The Company has established a place of business in Hong Kong at 20/F, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 2 August 2012. Mr. Poon Fuk Chuen has been appointed as the authorised representative of the Company for the purpose of Part XI of the Companies Ordinance for acceptance of service of process and notices on behalf of the Company required to be served on the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and to its constitution which comprises of the Memorandum and Articles of Association of the Company. A summary of relevant sections of the Memorandum and Articles of Association of the Company and relevant aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

2. Changes in the share capital of the Company

As at the date of incorporation of the Company, the authorised share capital of the Company was HK\$380,000 divided into 380,000 shares of nominal value of HK\$1.00 each. The following alterations in the share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) On 5 January 2012, one share of HK\$1.00 was issued and allotted for cash at par to the initial subscriber, Codan Trust Company (Cayman) Limited. On the same date, the said one share was transferred to Parentco for cash at par.
- (b) As part of the Reorganisation,
 - (i) pursuant to a sale and purchase agreement dated 11 July 2012 entered into between Swift Rich, Herosmart, the Company and Parentco, Swift Rich acquired from Herosmart the entire issued share capital of Silver Joy on 11 July 2012 for a consideration of HK\$1.00, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to Parentco as directed by Herosmart;
 - (ii) pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, the Company and Parentco, Total Prestige acquired from Beauty Power the entire issued share capital of Sonic Plus and shareholder's loan to Sonic Plus in the sum of HK\$109,928,431.37 on 14 August 2013 for a consideration of HK\$109,928,439.17, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power;
 - (iii) pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, the Company and Parentco, Total Prestige acquired from Beauty Power the entire issued share capital of Joyous

Wing and shareholder's loan to Joyous Wing in the sum of HK\$141,122,956.74 on 14 August 2013 for a consideration of HK\$141,122,964.54, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power;

- (iv) pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, the Company and Parentco, Total Prestige acquired from Beauty Power the entire issued share capital of Good Insight and shareholder's loan to Good Insight in the sum of HK\$774,689,922.11 on 14 August 2013 for a consideration of HK\$774,689,929.91, which was satisfied by way of the Company allotting and issuing 7,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power;
 - (v) pursuant to a sale and purchase agreement dated 14 August 2013 entered into between Vision Pilot, Total Prestige, the Company and Parentco, Total Prestige acquired from Vision Pilot the entire issued share capital of Statevalue on 14 August 2013 for a consideration of HK\$7.8, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to Parentco as directed by Vision Pilot;
 - (vi) pursuant to the written resolutions of the sole Shareholder passed on 20 August 2013, each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company was subdivided into 10 shares of HK\$0.10 each so that the share capital of the Company comprised 90,030 issued shares and 3,709,970 unissued shares of HK\$0.10 each and the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional of 1,996,200,000 Shares;
 - (vii) pursuant to the written resolutions of the sole Shareholder passed on 26 August 2013, a sum of HK\$33,210,997 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 332,109,970 new Shares for allotment and issue to Parentco on 26 August 2013.
- (c) Immediately upon completion of the Share Offer (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), a total of 415,800,000 Shares (inclusive of the 83,600,000 new Shares to be issued under the Share Offer) will be issued fully paid or credited as fully paid and 1,584,200,000 Shares will remain unissued.
 - (d) In the event that the Over-allotment Option is exercised in full, an additional 12,540,000 Shares will be issued fully paid or credited as fully paid.

Other than pursuant to the Share Offer and the exercise of the Over-allotment Option, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in the paragraph headed “Written Resolutions of the sole Shareholder on 26 August 2013” below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder on 26 August 2013

On 26 August 2013, written resolutions were passed by the sole Shareholder pursuant to which, among other things:

- (a) the Directors were authorised to capitalise a sum of HK\$33,210,997 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 332,109,970 Shares for allotment and issue to Parentco;
- (b) conditional upon the conditions as stated in the sub-section headed “Conditions of the Share Offer” in the section headed “Structure and conditions of the Share Offer” in this prospectus being fulfilled (or, if applicable, waived):
 - (i) the Share Offer and the Over-allotment Option on the terms and subject to the conditions set out in this prospectus were approved, and the Directors were authorised to allot and issue the Offer Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option pursuant to the terms set out in this prospectus;
 - (ii) a general unconditional mandate was given to the Directors to exercise all the powers of the Company during the Relevant Period to allot, issue and deal with additional shares and to make or grant offers, agreements and options which may require the exercise of such powers, provided that the aggregate nominal value of the Shares allotted or agreed conditionally or unconditionally to be allotted (otherwise than pursuant to, or in consequence of, the Share Offer, the exercise of the Over-allotment Option, the exercise of any options which may be granted under any share option scheme of the Company adopted in compliance with the relevant requirements of the Listing Rules, or by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meetings or any issue of Shares upon exercise of rights of subscription or conversion attaching to any existing warrants or securities issued by the Company which are convertible into Shares) shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the

mandate herein shall authorise the Directors to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

- (iii) a general unconditional mandate was given to the Directors to exercise all the powers of the Company during the Relevant Period to repurchase, on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option);
 - (iv) for the purpose of paragraphs (ii) and (iii) above, “**Relevant Period**” means the period from the date of passing of the said resolution until whichever is the earliest of: (a) the conclusion of the next annual general meeting of the Company, (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association to be held and (c) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the authority given to the Directors referred to in paragraph (ii) or (iii) (as the case may be) above; and
 - (v) the general unconditional mandate mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (iii) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (c) the Company approved and adopted the Articles of Association with immediate effect.

4. The Reorganisation

In preparation for the listing of the Shares on the Stock Exchange, the companies comprising the Group underwent the Reorganisation and the Company became the holding company of the Group. For information with regard to the Reorganisation, please refer to the section headed “Reorganisation” in this prospectus.

5. Subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of the subsidiaries of the Company have taken place within the two years immediately preceding the date of this prospectus (or in respect of Shenyang Jiajian and Tianjin Property Company which have ceased to be subsidiaries of the Company, from the date which is two years immediately preceding the date of this prospectus up to the respective dates when they ceased to be subsidiaries of the Company):

(a) *Total Prestige*

As part of the Reorganisation, Total Prestige was incorporated in BVI on 18 November 2011 and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 12 December 2011, 1 share was issued and allotted to Parentco for cash at par. On 9 July 2012, the said share was transferred from Parentco to the Company for a cash consideration of US\$1.00.

(b) *Swift Rich*

As part of the Reorganisation, Swift Rich was incorporated in BVI on 11 November 2011 and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 12 December 2011, 1 share was issued and allotted to Total Prestige for cash at par.

(c) *Silver Joy*

On 11 July 2012, as part of the Reorganisation, 1 share of HK\$1.00 representing the entire issued share capital of Silver Joy was transferred from Herosmart to Swift Rich for a consideration of HK\$1.00, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to Parentco as directed by Herosmart.

(d) *City Vision*

As part of the Reorganisation, City Vision was incorporated in Hong Kong on 10 August 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 10 August 2012, 1 share of HK\$1.00 was issued and allotted to the founder member, Ready-Made Company Limited, for cash at par, which share was later transferred to Forth Soar for a cash consideration of HK\$1.00 on 5 September 2012.

(e) *Forth Soar*

As part of the Reorganisation, Forth Soar was incorporated in BVI on 13 August 2012 and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 5 September 2012, 1 share in Forth Soar was issued and allotted to Total Prestige for cash at par.

(f) *Lichen Company*

As part of the Reorganisation, Lichen Company was established in the PRC on 18 December 2012 with a registered capital of RMB2,000,000, RMB307,359.20 of which was paid up by City Vision on 14 March 2013. The remaining amount of the registered capital is required to be contributed by City Vision within 24 months after the establishment of Lichen Company.

(g) *Lifestyle Properties Services*

As part of the Reorganisation, Lifestyle Properties Services was incorporated in Hong Kong on 12 November 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 12 November 2012, 1 share of HK\$1.00 was issued and allotted to the founder member, Ready-Made Company Limited, for cash at par, which share was later transferred to Forth Soar for a cash consideration of HK\$1.00 on 15 November 2012.

(h) *Joyful Cheer*

On 9 August 2013, as part of the Reorganisation, 1 share of HK\$1.00 representing the entire issued share capital of Joyful Cheer was transferred from Herosmart to Swift Rich for a cash consideration of HK\$1.00.

(i) *Sonic Plus*

On 14 August 2013, as part of the Reorganisation, 1 share of US\$1.00 representing the entire issued share capital of Sonic Plus and shareholder's loan to Sonic Plus was transferred from Beauty Power to Total Prestige for a consideration of HK\$109,928,439.17, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power.

(j) *Joyous Wing*

On 14 August 2013, as part of the Reorganisation, 1 share of US\$1.00 representing the entire issued share capital of Joyous Wing and shareholder's loan to Joyous Wing was transferred from Beauty Power to Total Prestige for a consideration of HK\$141,122,964.54, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power.

(k) *Good Insight*

On 14 August 2013, as part of the Reorganisation, 1 share of US\$1.00 representing the entire issued share capital of Good Insight and shareholder's loan to Good Insight was transferred from Beauty Power to Total Prestige for a consideration of HK\$774,689,929.91, which was satisfied by way of the Company allotting and issuing 7,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power.

(l) *Statevalue*

On 14 August 2013, as part of the Reorganisation, 1 share of US\$1.00 representing the entire issued share capital of Statevalue was transferred from Vision Pilot to Total Prestige for a consideration of HK\$7.8, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to Parentco as directed by Vision Pilot.

(m) *Shenyang Jiajian*

In June 2011, Leadplus HK as vendor and Shenyang Jiajian Purchaser as purchaser entered into an agreement in relation to the disposal of 90% equity interest in Shenyang Jiajian. Completion of the disposal took place in October 2011. For details of the disposal, please refer to the paragraph headed “Corporate history of the Group — 5. Disposal of 90% interests in Shenyang Jiajian” in the section headed “History and development” in this prospectus. After completion of such disposal, the Group owned 10% attributable interest in Shenyang Jiajian through Leadplus HK and Shenyang Jiajian ceased to be a subsidiary of the Company.

(n) *Tianjin Property Company*

On 25 April 2013, pursuant to the TJ Disposal Agreement, the entire equity interest in Tianjin Property Company was transferred from Ever Better to TJ Property Purchaser. For details of the disposal, please refer to the paragraph headed “Corporate history of the Group — 6. Disposal of interests in Tianjin Property Company” in the section headed “History and development” in this prospectus. After completion of such disposal on 25 April 2013, the Group ceased to have any equity interest in Tianjin Property Company.

Save as mentioned herein, there has been no alteration in the share capital (or registered capital, as the case may be) of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus (or in respect of Shenyang Jiajian and Tianjin Property Company which have ceased to be subsidiaries of the Company, from the date which is two years immediately preceding the date of this prospectus up to the respective dates when they ceased to be subsidiaries of the Company).

6. Repurchase by the Company of its own Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Relevant legal and regulatory requirements

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, amongst which it is provided that:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of the sole Shareholder passed on 26 August 2013, conditional upon the conditions as stated in the sub-section headed "Conditions of the Share Offer" in the section headed "Structure and conditions of the Share Offer" in this prospectus being fulfilled (or, if applicable, waived), a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all the powers of the Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Repurchase Mandate will remain in effect until (a) the conclusion of the next annual general meeting of the Company, (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association to be held or (c) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the Repurchase Mandate, whichever is the earliest.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Companies Law, any repurchases by the Company may be made out of profits of the Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits or the share premium account of the Company, or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that the Directors believe that such repurchases will benefit the Company and its Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(c) *Funding of repurchases*

In repurchasing the Shares, the Company may only apply funds of the Company legally available for such purpose in accordance with its memorandum of association and Articles of Association, the Listing Rules and the applicable laws and regulations of Cayman Islands.

On the basis of the current financial position of the Company as disclosed in the prospectus, and taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse impact on the working capital and/or the gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) *Number of Shares which may be repurchased*

On the basis of 415,800,000 Shares in issue immediately following the completion of the Share Offer (without taking into account the exercise of the Over-allotment Option), the Directors would be authorised under the Repurchase Mandate to repurchase up to 41,580,000 Shares during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations of Cayman Islands.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) an instrument of transfer dated 9 July 2012 entered into between the Company and Parentco in relation to the transfer of one share of US\$1.00 representing the entire issued share capital of Total Prestige from Parentco to the Company at a consideration of US\$1.00;
- (ii) a sale and purchase agreement dated 11 July 2012 entered into between Swift Rich, Herosmart, the Company and Parentco in relation to the acquisition by Swift Rich from Herosmart of the entire issued share capital of Silver Joy for a consideration of HK\$1.00, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to Parentco as directed by Herosmart;

- (iii) the TJ Disposal Agreement dated 31 December 2012 entered into between Ever Better and TJ Property Purchaser as more particularly set out in the paragraph headed “Corporate history of the Group — 6. Disposal of interests in Tianjin Property Company” in the section headed “History and development” in this prospectus;
- (iv) a sale and purchase agreement dated 9 August 2013 entered into between Herosmart, Swift Rich and Parentco in relation to the acquisition by Swift Rich from Herosmart of the entire issued share capital of Joyful Cheer for a cash consideration of HK\$1.00;
- (v) a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, Parentco and the Company in relation to the acquisition by Total Prestige from Beauty Power of the entire issued share capital of Sonic Plus and shareholder’s loan to Sonic Plus in the sum of HK\$109,928,431.37, for a consideration of HK\$109,928,439.17, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power;
- (vi) a deed of assignment dated 14 August 2013 entered into between Beauty Power, Total Prestige and Sonic Plus pursuant to which Beauty Power assigned the shareholder’s loan to Sonic Plus in the sum of HK\$109,928,431.37 to Total Prestige;
- (vii) a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, Parentco and the Company in relation to the acquisition by Total Prestige from Beauty Power of the entire issued share capital of Joyous Wing and shareholder’s loan to Joyous Wing in the sum of HK\$141,122,956.74, for a consideration of HK\$141,122,964.54, which was satisfied by way of the Company allotting and issuing 1,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power;
- (viii) a deed of assignment dated 14 August 2013 entered into between Beauty Power, Total Prestige and Joyous Wing pursuant to which Beauty Power assigned the shareholder’s loan to Joyous Wing in the sum of HK\$141,122,956.74 to Total Prestige;
- (ix) a sale and purchase agreement dated 14 August 2013 entered into between Beauty Power, Total Prestige, Parentco and the Company in relation to the acquisition by Total Prestige from Beauty Power of the entire issued share capital of Good Insight and shareholder’s loan to Good Insight in the sum of HK\$774,689,922.11, for a consideration of HK\$774,689,929.91, which was satisfied by way of the Company allotting and issuing 7,000 shares of HK\$1.00 each, credited as fully paid, to Parentco as directed by Beauty Power;
- (x) a deed of assignment dated 14 August 2013 entered into between Beauty Power, Total Prestige and Good Insight pursuant to which Beauty Power assigned the shareholder’s loan to Good Insight in the sum of HK\$774,689,922.11 to Total Prestige;

- (xi) a sale and purchase agreement dated 14 August 2013 entered into between Vision Pilot, Total Prestige, the Company and Parentco in relation to the acquisition by Total Prestige from Vision Pilot of the entire issued share capital of Statevalue for a consideration of HK\$7.80, which was satisfied by way of the Company allotting and issuing 1 share of HK\$1.00, credited as fully paid, to Parentco as directed by Vision Pilot;
- (xii) the trademark licensing agreement dated 26 August 2013 entered into between the Company and Lifestyle Corporate Services Limited, being the Trademark Licensing Agreement as referred to in the paragraph headed “Exempt continuing connected transactions — (2) Grant of rights to use trademarks by Remaining Parentco Group to the Group” in the section headed “Continuing connected transactions” in this prospectus;
- (xiii) the Non-compete Deed dated 26 August 2013 entered into between the Parentco and the Company as more particularly set out in the sub-section headed “Independence from Parentco — Clear delineation of business” in the section headed “Relationship with the Controlling Shareholder” in this prospectus;
- (xiv) a deed of indemnity dated 30 August 2013 given by the Parentco in favour of the Company (for itself and as trustee for its subsidiaries) containing, among other things, indemnities as more particularly set out in the paragraph headed “1. Estate duty, tax and other indemnities” in the section headed “F. Other information” in this Appendix; and
- (xv) the Public Offer Underwriting Agreement dated 30 August 2013 entered into among the Company, the Parentco, the executive Directors (namely, Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Chan Siu Chun)), BNP Paribas and Platinum Securities as more particularly set out in the section headed “Underwriting” in this prospectus.






2. Intellectual Property

A. Trademarks

- (i) As at the Latest Practicable Date, the Group has registered the following trademark:

Trademark	Class	Place of registration	Trade Mark		Duration of validity
			Number	Registered owner	
	36, 37 and 45	Hong Kong	302430224	City Vision	9 November 2012 to 8 November 2022
	36, 37 and 45	Hong Kong	302430215	City Vision	9 November 2012 to 8 November 2022

- (ii) As at the Latest Practicable Date, the Group has applied for registration of the following trademarks, certificates of registration for which have not yet been issued, details of which are as follows:

Trademark	Class	Place of Application	Application Number	Application Date	Applicant
 Lifestyle Properties Development Limited 利福地產發展有限公司	36	PRC	11795209	10 December 2012	Lifestyle Properties Services
 Lifestyle Properties Development Limited 利福地產發展有限公司	37	PRC	11795208	10 December 2012	Lifestyle Properties Services
 Lifestyle Properties Development Limited 利福地產發展有限公司	42	PRC	11795207	10 December 2012	Lifestyle Properties Services
 Lifestyle Properties Development Limited 利福地產發展有限公司	45	PRC	11795206	10 December 2012	Lifestyle Properties Services
	36	PRC	11795205	10 December 2012	Lifestyle Properties Services
	37	PRC	11795204	10 December 2012	Lifestyle Properties Services
	42	PRC	11795203	10 December 2012	Lifestyle Properties Services
	45	PRC	11795202	10 December 2012	Lifestyle Properties Services

- (iii) As at the Latest Practicable Date, the Group has been granted a non-exclusive licence to use the following registered trademarks by Lifestyle Corporate Services Limited, a member of the Remaining Parentco Group ^(Note):

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry Date of the Trademark
1. 利福	Lifestyle Corporate Services Limited	PRC	35	3973258	13 February 2017
2. 利福	Lifestyle Corporate Services Limited	PRC	36	3973257	20 January 2019
3. 利福	Lifestyle Corporate Services Limited	PRC	35	5558456	27 May 2020
4. 利福	Lifestyle Corporate Services Limited	Hong Kong	35, 36	300182763	21 March 2014
5. 利福 Lifestyle	Lifestyle Corporate Services Limited	Hong Kong	35, 36	300182772	21 March 2014
6. 利福 Lifestyle	Lifestyle Corporate Services Limited	PRC	35	3973260	6 February 2018

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry Date of the Trademark
7. 利福 Lifestyle	Lifestyle Corporate Services Limited	PRC	36	3973259	6 January 2021

Note: Please refer to the paragraph headed “Exempt continuing connected transactions — (2) Grant of rights to use trademarks by Remaining Parentco Group to the Group” in the section headed “Continuing connected transactions” in this prospectus for the background and reasons for the grant of, and additional details of, the above non-exclusive licence.

B. Domain Names

As at the Latest Practicable Date, the Group was the registrant of the following domain names:

Domain Name	Registrant	Registration Date	Expiry Date
利福地產發展.中国	Lichen Company	23 July 2012	23 July 2014
利福地產.中国	Lichen Company	23 July 2012	23 July 2014
利福地產發展.com	Lichen Company	23 July 2012	23 July 2014
利福地產.com	Lichen Company	23 July 2012	23 July 2014
利福地產發展.cn	Lichen Company	23 July 2012	23 July 2014
利福地產.cn	Lichen Company	23 July 2012	23 July 2014
Lifestyleproperties.com.cn	Lichen Company	23 July 2012	23 July 2014
Lifestyleproperties.cn	Lichen Company	23 July 2012	23 July 2014
利福地產發展.公司	Lichen Company	23 July 2012	23 July 2014
利福地產.公司	Lichen Company	23 July 2012	23 July 2014
LIFESTYLEPROPERTIES.COM.HK	City Vision	14 August 2012	3 September 2017
利福地產發展.公司.香港	City Vision	14 August 2012	3 September 2017
LIFESTYLEPROPERTIES.HK	City Vision	14 August 2012	23 August 2017
利福地產發展.香港	City Vision	14 August 2012	23 August 2017

Note: The contents contained in the website above do not form part of this prospectus.

C. Internet Keyword

As at the Latest Practicable Date, the Group was the registrant of the following internet keyword in the PRC:

Internet Keyword	Registrant	Registration Date	Expiry Date
利福地產公司(通用网址)	Lichen Company	23 July 2012	23 July 2014

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to the Group’s business.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests or short position of Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the Distribution and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests and/or short positions of the Directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed, are as follows:

(i) Long positions in Shares of the Company

Name of Director/chief executive	Number of Shares	Capacity	Note	Approximate percentage of shareholding %
Mr. Thomas Lau	297,861,200	Interest of controlled corporations	1	71.64
	3,852,175	Interest of controlled corporations	2	0.93
	3,262,500	Beneficial owner		0.78
Ms. Chan Chor Ling, Amy	1,050	Beneficial owner		0.00025
Ms. Chan Siu Chun, Candy (alias Chan Siu Chun)	500	Beneficial owner		0.00012

Notes:

- Of these Shares, 249,611,200 Shares are held by Parentco, 42,500,000 Shares are held by Real Reward and 5,750,000 Shares are held by United Goal Resources. Parentco is owned as to 51.46% by Real Reward, which is jointly owned by United Goal Resources and Go Create in equal shares. United Goal Resources is ultimately owned by Mr. Thomas Lau through Asia Prime Assets Limited and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries. By

virtue of the SFO, Mr. Thomas Lau, through Asia Prime Assets Limited, is deemed to be interested in the same parcel of Shares in which Parentco, Real Reward and United Goal Resources are interested.

2. These Shares are held by Dynamic Castle, which is wholly-owned by Mr. Thomas Lau. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in the same parcel of Shares in which Dynamic Castle is interested.

(ii) Long position in shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of interest	Note	Number of shares in the associated corporation	Appropriate percentage of shareholding (%)	
Mr. Thomas Lau	Parentco	Interest of controlled corporation	1	965,000,000	58.42	
		Interest of controlled corporation	2	77,043,500	4.66	
		Beneficial owner		65,250,000	3.95	
		Real Reward	Interest of controlled corporation	3	1	50%
		Crystal Key Investment Limited	Interest of controlled corporation	4	1	100%
		Grandville Venture Corp.	Interest of controlled corporation	4	50,000	100%
		Global Centre Investments Limited	Interest of controlled corporation	4	1	100%
		Leeson Limited	Interest of controlled corporation	4	1	100%
		Wise Ocean Limited	Interest of controlled corporation	4	1	100%
Ms. Chan Chor Ling, Amy	Parentco	Beneficial owner		21,000	0.0013%	
Ms. Chan Siu Chun, Candy (alias Chan Siu Chun)	Parentco	Beneficial owner		10,000	0.0006%	

Notes:

1. Real Reward, which is jointly owned by United Goal Resources and Go Create in equal shares, holds 850,000,000 shares in Parentco and United Goal Resources holds 115,000,000 shares in Parentco. United Goal Resources is ultimately owned by Mr. Thomas Lau through Asia Prime Assets Limited and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries. By virtue of the SFO, Mr. Thomas Lau, through Asia Prime Assets Limited, is deemed to be interested in the 850,000,000 shares in Parentco held by Real Reward and the 115,000,000 shares in Parentco held by United Goal Resources.
2. Dynamic Castle, which is wholly-owned by Mr. Thomas Lau, holds 77,043,500 shares in Parentco. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in the 77,043,500 shares in Parentco held by Dynamic Castle.
3. United Goal Resources, which is ultimately owned by Mr. Thomas Lau and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries, holds one share in Real Reward, representing 50% of its issued share capital. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in the one share held by United Goal Resources in Real Reward.
4. United Goal Resources, which is ultimately owned by Mr. Thomas Lau and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries, holds one share in Real Reward, representing 50% of its issued share capital. Crystal Key Investment Limited, Grandville Venture Corp., Global Centre Investments Limited, Leeson Limited and Wise Ocean Limited are, either direct or indirect, wholly-owned subsidiaries of Real Reward. By virtue of the SFO, Mr. Thomas Lau, through United Goal Resources, is deemed to be interested in the shares held by Real Reward in Crystal Key Investment Limited, Grandville Venture Corp., Global Centre Investments Limited, Leeson Limited and Wise Ocean Limited.
5. The above information are based on the number of shares held in the respective associated corporations as at the Latest Practicable Date.

(iii) Long position in the underlying shares of Parentco (being an associated corporation of the Company under the SFO) – share options

Name of Director	Date of grant of share options	Capacity/Nature of interest	Exercise price per share of the Parentco	Exercise period	Number of underlying shares of Parentco subject to the share options
Ms. Chan Chor Ling, Amy	2 February 2009	Beneficial owner	HK\$6.40	07/02/2010 — 26/03/2014	600,000
	7 October 2005	Beneficial owner	HK\$6.16	07/10/2006 — 26/03/2014	160,000
Ms. Chan Siu Chun, Candy (alias Chan Siu Chun)	2 February 2009	Beneficial owner	HK\$6.40	07/02/2010 — 26/03/2014	66,000
Mr. Thomas Lau	31 August 2007	Beneficial owner	HK\$18.50	01/10/2008 — 26/03/2014	17,020,000

Note: The above information are based on the number of share options held in Parentco as at the Latest Practicable Date.

(iv) Long position in the underlying shares of Parentco (being an associated corporation of the Company under the SFO) – Euro Medium Term Note

Name of Director	Capacity/Nature of interest	Number of underlying shares of Parentco (Note 1)
Mr. Thomas Lau	Beneficial owner	804,733

Notes:

- Mr. Thomas Lau held a Euro Medium Term Note with a notional amount of US\$2,000,000 and a maturity date on 23 September 2013 (subject to early redemption). The redemption amount on maturity date will be determined by reference to the final share price of the worst performing stock of the basket of stocks which includes Parentco. In the event where Mr. Thomas Lau elects to receive the redemption amount on maturity date in Parentco's shares in lieu of cash, the number of share, calculated using the exchange rate on 29 June 2011 (date of transaction) and the contracted strike price, will be approximately 804,733 shares in Parentco.
- The above information are based on the interests held in the Euro Medium Term Note as at the Latest Practicable Date.

- (v) *Long position in the debentures of LS Finance (2017) Limited (being a wholly-owned subsidiary of Parentco and an associated corporation of the Company under the SFO) – 5.25% guaranteed bonds due 2017 (the “Guaranteed Bonds”)*

Name of Director	Capacity/Nature of interest	Principal amount of the Guaranteed Bonds held
Mr. Wong Kun Kau	Beneficial owner	US\$400,000

Note: The above information are based on the interests held in the Guaranteed Bonds as at the Latest Practicable Date.

2. Particulars of service contracts and letters of appointment

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Company on 26 August 2013 for an initial term of 3 years with effect from 26 August 2013 and thereafter be continuous unless and until terminated by not less than three months' advance notice in writing served by either party on the other or by payment in lieu of such notice in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The aggregate annual basic salary (excluding the bonus mentioned below) of all executive Directors pursuant to their respective service contracts is HK\$2,340,000 and the basic salary of each executive Director is subject to annual review with such increment (if any) at such rate to be recommended by the remuneration committee of the Board and approved by the Board (excluding the Director whose salary is under review) and the relevant executive Director shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution regarding the increment.

Pursuant to the terms of the service contracts entered into between each executive Director and the Company, the annual salary of each executive Director is as follows:

Name	Annual Salary (HK\$)
Ms. Chan Chor Ling, Amy	1,020,000
Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun)	1,320,000

Each of the executive Directors will be entitled to a discretionary bonus as may be recommended by the remuneration committee of the Board from time to time by reference to the then prevailing market conditions, the operating results of the Group as well as the individual performance of the relevant executive Director, and approved by the Board (excluding the Director whose discretionary bonus is under determination) and the relevant executive Director shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution regarding the payment and amount of the discretionary bonus.

(b) Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a period of three years commencing from 26 August 2013 subject to the provision of retirement and rotation of Directors under the Articles of Association. Such appointment may be terminated by not less than one month's advance notice in writing served by either party on the other.

Pursuant to the terms of the letters of appointment entered into between the non-executive Directors and independent non-executive Directors on the one part and the Company on the other part, the annual director's fee payable to each of them is as follows:

Name	Annual Director's Fee (HK\$)
Mr. Thomas Lau	100,000
Mr. Wong Man Hoi	100,000
Mr. Lam Siu Lun, Simon	100,000
Mr. Robert Charles Nicholson	100,000
Mr. Wong Kun Kau	100,000

The non-executive Directors and the independent non-executive Directors are not contractually entitled to any bonus and/or other remuneration for holding their office as a Director.

- (c) Each of the Directors is entitled to reimbursement for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under the relevant service contract or letter of appointment.

3. Directors' Remuneration

- (a) The aggregate sums of approximately HK\$2.1 million, HK\$2.5 million, HK\$1.9 million and HK\$0.3 million were paid to the Directors as remuneration (including benefits in kind) for the three financial years ended 31 December 2012 and the six months ended 30 June 2013 respectively (being such part of the remuneration paid by the Parentco Group to the Directors which was allocated to the Group as expenses by reference to their involvement in the operations of the Group). Further information in respect of the Directors' remuneration is set out in the accountants' report in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$1.4 million will be paid to the Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) for the financial year ending 31 December 2013, comprising (i) HK\$0.4 million (being such part of the estimated remuneration paid or payable by the Parentco Group to the Directors attributable to the period from 1 January 2013 to 25

August 2013 which shall be allocated to the Group as expenses by reference to their involvement in the operations of the Group up to 25 August 2013) and (ii) HK\$1.0 million (being the remuneration which will be paid by the Group to the Directors for the period from 26 August 2013 to 31 December 2013).

- (c) None of the Directors or past directors of any member of the Group has been paid any sum of money for each of the three financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 and the six months ended 30 June 2013 respectively for (a) loss of office as director of any member of the Group or any other office in connection with the management affairs of any member of the Group or (b) as an inducement to join or upon joining any member of the Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 and the six months ended 30 June 2013 respectively.

4. Substantial Shareholders

So far as the Directors are aware, immediately following completion of the Distribution and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the following persons (other than the Directors or chief executive of the Company) will have an interest and/or a short position in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be expected, directly or indirectly, to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, once the Shares are listed on the Stock Exchange:

Long positions in Shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	<i>Note</i>
Parentco	Beneficial owner	249,611,200	60.03	
Real Reward	Beneficial owner	42,500,000	10.22	
	Interest of controlled corporation	249,611,200	60.03	1
United Goal Resources	Beneficial owner	5,750,000	1.38	
	Interest of controlled corporation	292,111,200	70.25	2

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	Note
Asia Prime Assets Limited (“Asia Prime”)	Interest of controlled corporation	297,861,200	71.64	2
Go Create	Beneficial owner	5,750,000	1.38	
	Interest of controlled corporation	292,111,200	70.25	3
Chow Tai Fook	Interest of controlled corporation	297,861,200	71.64	3
Chow Tai Fook (Holding) Limited	Interest of controlled corporation	297,861,200	71.64	3
Chow Tai Fook Capital Limited	Interest of controlled corporation	297,861,200	71.64	3
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation	297,861,200	71.64	3
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation	297,861,200	71.64	3

Notes:

- These 249,611,200 Shares are held by Parentco which is owned as to 51.46% by Real Reward, which is in turn jointly owned by United Goal Resources and Go Create in equal shares. By virtue of the SFO, Real Reward is deemed to be interested in the same parcel of Shares held by Parentco. Mr. Thomas Lau and Mr. Lam Siu Lun, Simon, being Directors, are also directors of Parentco, whereas Mr. Thomas Lau, being Director, is also a director of Real Reward.
- United Goal Resources, which has 50% interest in Real Reward, is ultimately owned by Mr. Thomas Lau and a family trust with Mr. Joseph Lau and certain of his family members as eligible beneficiaries. Asia Prime, a company wholly owned by Mr. Thomas Lau, holds more than one-third of the entire issued share capital of United Goal Resources. By virtue of the SFO, (i) Asia Prime and United Goal Resources are deemed to be interested in the same parcel of Shares comprising the 42,500,000 and 249,611,200 Shares in which Real Reward is or is deemed to be interested as mentioned in the above table and (ii) Asia Prime is deemed to be interested in the same parcel of Shares comprising the 5,750,000 Shares in which United Goal Resources is interested as beneficial owner as mentioned in the above table. Mr. Thomas Lau, being Director, is a director of United Goal Resources and the sole director of Asia Prime.
- Go Create, which has 50% interest in Real Reward, is wholly owned by Chow Tai Fook. Chow Tai Fook is wholly owned by Chow Tai Fook (Holding) Limited, which is held as to 78.58% by Chow Tai Fook Capital Limited, which is in turn held as to 48.98% by Cheng Yu Tung Family (Holdings) Limited and as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited. By virtue of the SFO, (i) Go Create, Chow Tai Fook, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the same parcel of Shares

comprising the 42,500,000 and 249,611,200 Shares in which Real Reward is or is deemed to be interested as mentioned in the above table and (ii) Chow Tai Fook, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the same parcel of Shares comprising the 5,750,000 Shares in which Go Create is interested as beneficial owner as mentioned in the above table.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executives of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following completion of the Distribution and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provision of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any of the Directors, no person (other than the Directors or chief executives of the Company) has an interest or short position in the Shares and underlying Shares of the Company immediately following completion of the Distribution and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) 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 is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Shares are listed on the Stock Exchange;
- (c) none of the Directors nor experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;
- (d) none of the Directors nor experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

- (e) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (f) none of the Directors nor experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from the Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

F. OTHER INFORMATION

1. Estate duty, tax and other indemnities

The Parentco has pursuant to a deed of indemnity dated 30 August 2013 (“**Deed of Indemnity**”) (the document referred to in paragraph (xiv) in the subsection headed “Summary of material contracts” in this Appendix) given indemnities in favour of the Company (for itself and as trustee for other members of the Group), in connection with, inter alia, the following liabilities:

- (a) estate duty which might be payable by any member of the Group by reason of transfer of property on or before the date on which the conditions stated in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and conditions of the Share Offer” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party (the “**Effective Date**”);
- (b) tax liabilities falling on any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Effective Date;
- (c) any penalty which may be imposed on any member of the Group, or any costs, expenses and losses which such company may suffer in connection with such penalty, due to the failure of such company to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in the PRC in this regard, on or before the Effective Date;
- (d) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which a member of the Group may suffer from not having paid all requisite tax or obtained all relevant or necessary approvals, permits, licences and/or certificates for conducting its businesses, whether in Hong Kong, the PRC or any part of the world, on or before the Effective Date, including but not limited to the non-compliances as disclosed in this prospectus; and
- (e) all statutory compensations (including without limitation severance and long-service payments) payable by the Group to the Relevant Employees as employees which are attributable to their previous term of employment with the Remaining Parentco Group

prior to the Spin-off. For this purpose, the expression “Relevant Employees” means all those previous employees of the Remaining Parentco Group whose employment has been transferred to the Group in connection with or for the purpose of the Spin-off.

The Parentco will, however, not be liable under the Deed of Indemnity under the following circumstances:

- (a) In respect of the indemnity contained in paragraphs (a) to (b) above:
 - (i) to the extent that provision or reserve has been made for such taxation in the audited combined accounts of the Group as set out in Appendix I to this prospectus or in the audited accounts of any member of the Group up to 30 June 2013; or
 - (ii) to the extent that such taxation or liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of the Group after the Effective Date without the prior written consent or agreement of the Parentco other than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or
 - (iii) in respect of such taxation or liability for such taxation for which any member of the Group is primarily liable as a result of acts or transactions carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2013; or
 - (iv) to the extent that such taxation or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority coming into force after the date of the Deed of Indemnity or to the extent such taxation or liability for such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
 - (v) to the extent of any provision or reserve made for taxation in the audited combined accounts of the Group as set out in Appendix I to this prospectus or in the audited accounts of any member of the Group up to 30 June 2013 and which is finally established to be an over-provision or an excessive reserve in which case the Parentco’s liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve shall not be applied pursuant to this paragraph to reduce the Parentco’s liability in respect of taxation arising after 30 June 2013 or other liability for which the Parentco is also liable under the indemnity contained in paragraphs (a), (c), (d) and (e) above; or
 - (vi) to the extent that any claim is made by the Group after the expiry of the period of seven years following the Effective Date.

- (b) In respect of the indemnity contained in paragraphs (c) to (d) above, to the extent that:
- (i) provision or reserve has been made in the audited combined accounts of the Group as set out in Appendix I to this prospectus or in the audited accounts of any member of the Group up to 30 June 2013 for such penalties, costs, expenses and losses falling within paragraphs (c) to (d) above; or
 - (ii) any penalties, costs, expenses and losses falling within paragraphs (c) to (d) above or any additional, extra or increased amount of such penalties, costs, expenses and losses arises or is incurred as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the relevant authority coming into force after the date of the Deed of Indemnity; or
 - (iii) any claim is made by the Group after the expiry of the period of seven years following the Effective Date.

2. Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group, that would have a material adverse effect on the results of operations or financial position of the Group as a whole.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and all the Shares to be issued as mentioned in this prospectus, including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option.

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

4. Registration procedures

The register of members of the Company will be maintained in Cayman Islands by Royal Bank of Canada Trust Company (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's share register in Hong Kong and may not be lodged in Cayman Islands.

5. Taxation of holders of Shares

(a) *Cayman Islands*

Under the present laws of Cayman Islands, transfers and other disposals of Shares are exempted from Cayman Islands stamp duty.

(b) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(c) *Generally*

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of the Company, the Directors, the Joint Sponsors, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

6. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$8,400 and are payable by the Company.

7. Promoter

The Company has no promoter for the purpose of the Listing Rules.

8. Qualification and consent of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	Qualification
BNP Paribas Securities (Asia) Limited	Licensed corporation holding a licence under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
Platinum Securities Company Limited	Licensed corporation holding a licence under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Expert	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
CBRE Limited	Independent property valuers
Zhong Lun Law Firm	Legal advisers as to PRC laws
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Knight Frank Petty Limited	Independent property valuers
Shanghai BDGH Chartered Valuation Surveyors Co., Ltd.	Independent property valuers

Each of the Joint Sponsors, Deloitte Touche Tohmatsu, CBRE Limited, Zhong Lun Law Firm, Conyers Dill & Pearman (Cayman) Limited, Knight Frank Petty Limited and Shanghai BDGH Chartered Valuation Surveyors Co., Ltd. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued, agreed to be issued or proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
 - (v) within the two years preceding the date of this prospectus, no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in or debentures of the Company.
- (b) None of the Joint Sponsors, Deloitte Touche Tohmatsu, CBRE Limited, Zhong Lun Law Firm, Conyers Dill & Pearman (Cayman) Limited, Knight Frank Petty Limited and Shanghai BDGH Chartered Valuation Surveyors Co., Ltd.:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.
- (c) No company within the Group is presently listed on any stock exchange or traded on any trading system.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this prospectus, together with copies of the Application Forms, the written consents referred to the paragraph headed “Qualification and consent of experts” in Appendix VI to this prospectus, and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus have been delivered to the Registrar of Companies in Hong Kong for registration.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sit, Fung, Kwong & Shum at 9th Floor, York House, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from the date of this prospectus up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the audited financial statements of the subsidiaries of the Company incorporated in Hong Kong or established in the PRC (except Lichen Company which was established in the PRC on 18 December 2012) for the three years ended 31 December 2012 or since their respective dates of incorporation if such is a shorter period;
- (c) the audited consolidated financial statements of Good Insight, Joyful Cheer, Joyous Wing, Silver Joy, Sonic Plus and Statevalue provided by Deloitte Touche Tohmatsu for the three years ended 31 December 2012 and the six months ended 30 June 2013;
- (d) the statement of adjustments of the Company for the three years ended 31 December 2012 and the six months ended 30 June 2013;
- (e) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (f) the report received from Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (g) the letter, summary of values and valuation certificates relating to the property interests of the Group prepared by CBRE, the texts of which are set out in Appendix III to this prospectus;
- (h) the valuation report dated 10 January 2011 issued by Knight Frank to Gain High relating to, inter alia, the Hong Kong Properties as at 31 December 2010;
- (i) four valuation reports dated 13 January 2011 issued by BDGH to the Parentco relating to Tianjin Property, Qingdao Property, Harbin Property and Sun Plaza respectively as at 31 December 2010;
- (j) two letters of opinion both dated 2 September 2013 issued by the PRC Legal Advisers to the Company as to the PRC law;

- (k) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;
- (l) the service contracts and appointment letters with each of the Directors, referred to in the paragraph headed “Further information about Directors, management staff and substantial shareholders — Particulars of service contracts and letters of appointment” in Appendix VI to this prospectus;
- (m) the written consents referred to in the paragraph headed “Qualification and consent of experts” in Appendix VI to this prospectus;
- (n) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law as referred to in Appendix V to this prospectus; and
- (o) the Companies Law.



Lifestyle

Properties Development Limited
利福地產發展有限公司